

63

418



3 1761 1163944 1














Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto

<https://archive.org/details/31761116339441>



Published by Authority of the HON. W. D. EULER, M.P.,  
Minister of Trade and Commerce.

**CANADA**

**DOMINION BUREAU OF STATISTICS**

**CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS**

---

**OPERATING RESULTS**  
**OF THE**  
**WHOLESALE DRY GOODS TRADE**  
**IN CANADA**

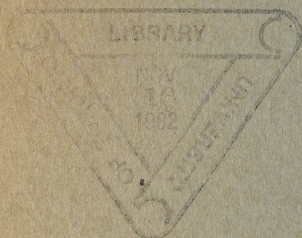
**1938**

*Operating results of dry goods, price  
goods and footwear wholesale*



OTTAWA  
1939







## PREFACE

The following report is a study of the Canadian wholesale dry goods trade made by the Internal Trade Branch of the Dominion Bureau of Statistics in cooperation with Canadian dry goods wholesalers who contributed figures of their operations for the year 1938. The purpose of the survey is to make available detailed knowledge of operating costs insofar as the wholesale dry goods trade is concerned and to furnish executives of the trade with standards of operating margins and expenses with which they can measure their own results.

Representative dry goods wholesalers and their accountants across Canada were consulted in order to ascertain the type of information which could be provided conveniently and on the basis of their advice a questionnaire was prepared and submitted to 116 leading dry goods wholesale firms. Unfortunately accounting systems vary and certain firms found it difficult to supply some of the cost items requested. For this reason and because other questionnaires were answered incorrectly it was necessary to discard a number of the replies received. Fifty-seven questionnaires in all were used in compiling the tables published in this bulletin. Of this number 22 were from wholesalers carrying a general line of dry goods and all of these were able to give the detailed breakdown of expenses called for in the questionnaire. The remaining 35 returns were from specialty wholesalers. The 14 largest firms in this group were able to give detailed figures, while the 21 smaller firms reported major group totals only. These were firms with annual sales of less than \$100,000 and probably because of the small size of their business they were unable to allocate their expenses to the detailed items of the questionnaire.

The small number of questionnaires which were sufficiently complete to be used placed limits on the comparisons which could be made. For example, it would undoubtedly be of interest to show the operating results of firms of similar size classified according to the province or economic division in which they are located, or the extent of the territory which they serve. It would be of interest to show the results of the specialty wholesalers according to the specialty lines they handle. But these and other comparisons could not be made without the possibility of disclosing individual operations and it has, therefore, been necessary to confine the study to broad groups.

It has been pointed out that one of the principal objects of studies of this nature is to give executives a standard against which they can measure their own results. The standard offered is not one of perfection but is rather the standard of the "average" firm. Against this the executive can compare his own gross margin and items of operating expense. Knowing the peculiarities and requirements of his own business, these tables of "averages" may assist him in determining what readjustments, if any, could be made in improving his firm's position.

The Bureau acknowledges with thanks the assistance of those wholesalers whose care in completing their questionnaires made the present study possible. The report has been prepared under the direction of Mr. Herbert Marshall, B.A., F.S.S., Chief of the Internal Trade Branch, by Mr. R. A. Cameron, B.A.





DEPARTMENT OF TRADE AND COMMERCE  
DOMINION BUREAU OF STATISTICS  
INTERNAL TRADE BRANCH  
OTTAWA, CANADA

---

Dominion Statistician:	R. H. Coats, LL.D., F.R.S.C., F.S.S. (Hon.)
Chief, Internal Trade Branch:	Herbert Marshall, B.A., F.S.S.

---

OPERATING RESULTS OF THE WHOLESALE DRY GOODS TRADE

CANADA, 1938

---

General Line Wholesalers

A sample consisting of twenty-two general line dry goods wholesalers with aggregate sales of \$15,886,395 submitted detailed information regarding their operating results for 1938. These firms operated on an average gross margin of 19.18 per cent of net sales, had total operating expenses amounting to 18.84 per cent of sales with a resulting net operating profit of 0.34 per cent of sales. Other income to the extent of 1.37 per cent of sales increased the total profit ratio to 1.71 per cent. Stock was turned over at an average rate of 3.23 times during the year.

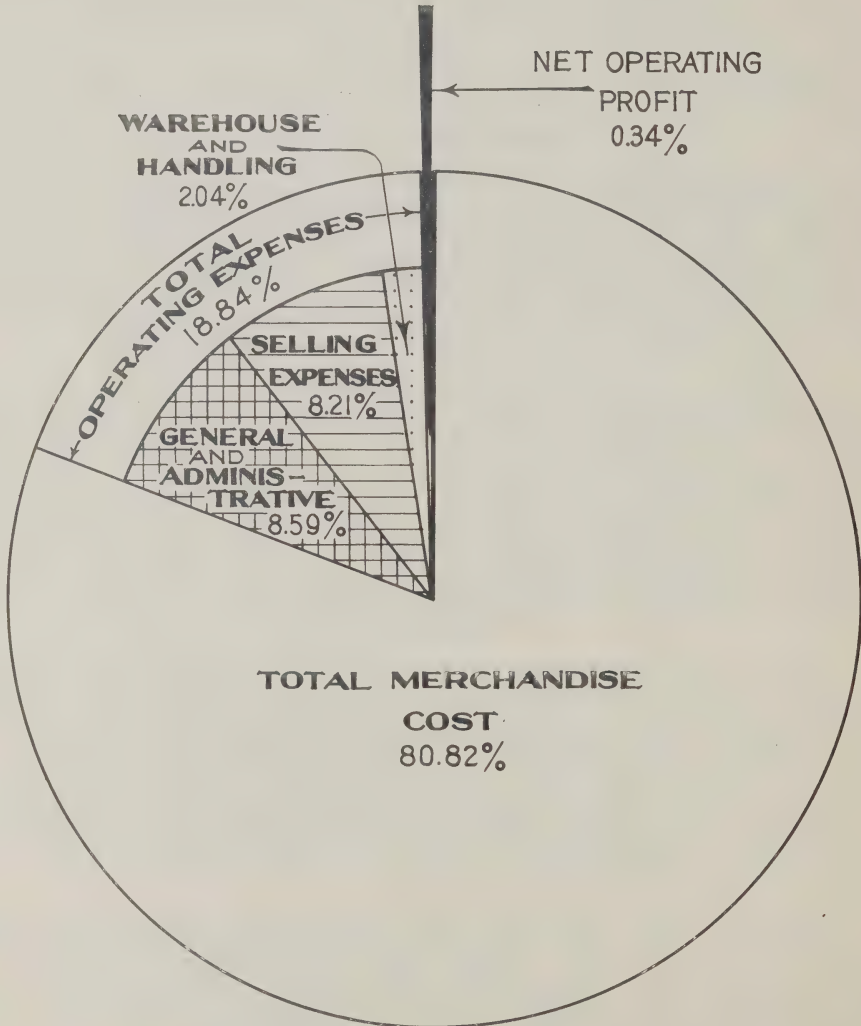
General and administrative expenses accounted for 8.59 per cent of net sales; selling expenses, 8.21 per cent and, warehouse, handling and delivery expense, 2.04 per cent. The principal general and administrative expenses were salaries of executives and salaries and wages of general office staff. These two items together accounted for 4.28 per cent of net sales. The remuneration of outside selling force was the largest item of selling expense amounting to 3.12 per cent of net sales. Expenses of travelling salesmen accounted for another 1.79 per cent. The other principal items of selling expense were: remuneration of inside sales force and discounts allowed to customers. Remuneration of staff was the principal item of warehouse, handling and delivery expense, amounting to 1.39 per cent of net sales.

Table 1 gives a breakdown of operating results in terms of percentage of net sales for 22 general line dry goods wholesalers classified by size according to volume of sales. The first group includes 6 firms with individual sales of between \$100,000 and \$499,999. The total sales of this group amounted to \$1,521,366. The second group includes 11 firms with sales of from \$500,000 to \$999,999, amounting to a total volume of \$7,903,395. The third group includes 5 firms with individual sales of from \$1,000,000 to \$2,000,000, their total volume of sales being \$6,461,634. The possibility of disclosing individual operations prevented the use of questionnaires of firms with sales exceeding \$2,000,000.

Firms with an annual sales volume of from \$500,000 to \$999,999 made the highest net profit in 1938. The 11 firms of this group had an average gross margin of 18.97 per cent and an operating expense amounting to 18.29 per cent of net sales. Their net operating profit, therefore, amounted to 0.68 per cent which was increased to 2.01 per cent by the item of "other income." Smaller firms, comprising the group with individual annual sales of from \$100,000 to \$499,999, recorded a loss on the year's operations which even their "other income" failed to make up. The firms of this group had an average gross margin of 21.69 per cent of net sales. Their operating expenses, however, amounted to 22.93 per cent. Their operations for the year, therefore, resulted in a loss of 1.24 per cent. Revenue derived from "other income"

# GENERAL LINE DRY GOODS WHOLESALEERS

## OPERATING RESULTS FOR 1938



NET SALES = 100 %

amounted to 0.94 per cent which reduced their loss to 0.30 per cent of net sales. The five firms with individual annual sales of from \$1,000,000 to \$2,000,000 had a gross margin of 18.85 per cent, an operating expense of 18.55 per cent and, therefore, a net operating profit of 0.30 per cent. "Other Income" amounting to 1.53 per cent increased the profit on the year's operations to 1.83 per cent of net sales.

In the accompanying tables gross margin was computed by deducting the cost of goods sold from the total net sales. The cost of goods sold was arrived at by deducting the December 31, 1938, inventory from the total of the cost of goods purchased during the year and the inventory as on January 1, 1938. It is axiomatic that the gross margin will be determined by the cost at which merchandise can be purchased and the price at which it can be sold, factors over which the individual wholesaler has only a very limited control. Operating expenses on the other hand are factors over which, within certain limits, he can exercise direct control. The importance, therefore, of closely scrutinizing every item of operating expense is apparent.

In the accompanying tables operating expenses have been allocated under three main headings: General and Administrative, Selling, and Warehousing and Handling Expenses. Each of these main divisions has been subdivided into a number of minor classifications. Some allowance should be made, however, for variations in reporting specific items due to differences in the organization of reporting firms, their methods of doing business, or their inability to segregate the items requested. For example, in the matter of employees' remuneration, it was perhaps difficult for some firms, particularly the smaller ones, to break down the salaries paid on a functional basis because of the varying duties which each employee might discharge.

Mercantile firms are not built along labour union lines in which it is often forbidden for the workmen in one trade to perform tasks of another trade. On the contrary, members of the clerical or shipping staff of a wholesale house may at times function as salesmen while salesmen may be assigned to both inside and outside selling activities or for that matter duties aside from selling altogether. The expenses shown, therefore, represent payments to individuals according to the reporting firms' ideas of their functions and do not necessarily represent the actual cost for the type of work indicated.

#### General and Administrative Expenses

General and administrative expenses varied inversely with the size of business, averaging 12.63 per cent of sales for the smallest group, 9.08 per cent of sales for the middle size group and 7.06 per cent of sales for the large concerns. This decline in expense for the larger businesses was particularly marked in the item of salaries paid to executives. For every sale of \$100, executives were paid \$4.87 by the group of small firms, \$3.20 by the middle group and \$2.23 by the group of large firms. Apparently increased sales make it possible to effect economies in this item of expense. But it should be noted that executives of small firms may perform many other duties such as inside selling, the expense of which appears as "remuneration of inside sales force" in the returns of the larger firms.

Another item of general and administrative expense which varied inversely with the size of business was the rental paid for property used in the business. This does not necessarily mean that rental costs were reduced by increased sales. It is more likely to indicate that the large firms own their own premises whereas small firms rent. No classification has been made of the contributing firms on the basis of whether they rent or own the property they occupy so that it is impossible to draw any definite conclusions as to the effect of increased sales on rental expenses. But a firm which owns its own premises thereby saving rent would have expenses inherent in ownership which a tenant company would not have, such as repairs and depreciation,



taxes and insurance. Interest on investment in real estate is normally considered in arriving at rental figures. Such interest finds no counterpart in the expenses reported by firms in owned premises. Nevertheless, combined figures for rent, taxes, repairs, depreciation and insurance offer some indication of the way that tenancy costs vary for different sizes of business. For these items the group of small stores expended 1.95 per cent of net sales; the next group, 1.81 per cent and the group of larger stores, 1.02 per cent. On this basis, there was a definite decrease of expense with increased sales. Professional services, though not a large item in any of the groups, also decreased with increased sales.

In the case of certain items of general and administrative expense there were apparently limits to the extent to which increased sales tended to decrease expenses. For example, although the remuneration of general office staff decreased from 1.99 per cent in the first group to 1.22 per cent in the second group, there was no further decrease for the largest size group. The items of light, heat, power and water, postage and excise, and printing and stationery showed very little variation in the three groups. Bad debts provided for or written off, although of minor importance, were higher for the middle group than for the other two.

### Interest

Each firm was asked to report the amount of interest paid on borrowed money. Such interest averaged 0.58 per cent of sales for all general dry goods firms reporting. The group of small firms reported an average of 1.16 per cent; the middle group, 0.37 per cent and the group of large firms, 0.70 per cent.

Interest payments reported by any firm represents the resultant of two factors: (1) the rate of interest paid and (2) the volume of borrowed money used. Since the first factor is relatively uniform whereas the second may vary between wide limits for different companies, it is evident that the average interest expense ratios shown in the tables are significant in that they indicate the relative extent to which borrowed money is used in various sizes of business and they provide a measure against which each firm can compare the extent to its use of borrowed funds with the average for the corresponding size class.

Inclusion of interest on borrowed funds in the total expense ratios introduces a lack of comparability in the final results as between firms operating on their own capital and those making use of borrowed money. Capital is worth a fair return whether invested in one's own business or in some outside enterprise. Some allowance for interest on capital investment should be made before a business can be said to yield a true profit on its operations. Two methods have been used by the Harvard Bureau of Business Research in securing comparability in total expense ratios.

In one method the item of interest expense is made up of the interest payments actually made for borrowed funds and in addition, an arbitrarily chosen percentage (6 per cent) of the firm's own capital investment. By this means all firms are brought to an approximately common basis insofar as total expense and net operating profit are concerned. But since the allowance on a firm's own capital does not represent a cash outlay of funds this amount is later credited back to "other net income" before a final net gain or loss for the year is declared.

In the second method an arbitrary percentage (6.0 per cent) of the assets (not the capital investment) of each firm is charged as an operating expense. Actual interest payments for borrowed money are omitted. To include in expenses a percentage on all assets and also to include the actual interest paid on borrowed money would introduce duplications because the assets include those

amounts or liabilities such as mortgages, bank loans, etc., for which interest is being paid. Therefore, interest actually paid for borrowed money is not considered as an expense item but is covered by the 6.0 per cent of total assets which is charged as an expense, whether those assets represent owned or borrowed capital. The assets include merchandise inventory, investment in owned land, buildings, equipment, cash and securities on hand and accounts receivable. Interest should be earned on these before a true profit can be declared.

But again while interest on the assets is a true expense, it does not require an actual cash outlay. Having been charged previously as an expense it should be credited back as revenue along with the items included in "other income." But it includes the amount of interest which has been paid for borrowed funds and which was omitted from expenses. Interest actually paid, therefore, is deducted from the percentage of assets which was regarded as an expense and the remainder is credited to other income.

WHOLESALE DRY GOODS TRADE, GENERAL LINE

Operating Results of Firms Classified According to Amount of Annual Sales, 1938

(Showing results when value of assets is considered)

Expense Item	Total all Firms	Amount of Annual Sales		
		\$100,000 to	\$500,000 to	\$1,000,000 to
		\$499,999	\$999,999	\$2,000,000
Number of firms reporting .....	22	6	11	5
Aggregate sales .....	\$15,886,395	1,521,366	7,903,395	6,461,634
Average sales .....	\$ 722,109	153,561	718,490	1,292,327
Net sales .....	100.00	100.00	100.00	100.00
Net cost of merchandise sold .....	80.82	78.31	81.03	81.15
Gross margin .....	19.18	21.69	18.97	18.85
<u>Operating Expenses - % of Sales</u>				
General and Administrative:				
All items except interest paid on borrowed funds .....	8.01	11.47	8.71	6.36
5.0% of assets .....	2.87	3.46	2.87	2.73
Total .....	10.88	14.93	11.58	9.09
Total selling expense .....	8.21	8.20	7.39	9.21
Total handling expense .....	2.04	2.10	1.82	2.28
Total operating expense .....	21.13	25.23	20.79	20.58
Net Profit or Loss .....	-1.95	-3.54	-1.82	-1.73
Other income (including 5.0% of assets less interest paid) ..	3.66	3.24	3.82	3.56
Total Net Gain .....	1.71	-0.30	2.00	1.83

These are the two alternative methods which have been used by the Harvard Bureau of Business Research in securing comparability. In the table on the previous page the second method has been used to readjust the figures shown in Table 1. An arbitrary rate of 5.0 per cent of the assets of the firms in each group is shown as an item of the general and administrative expense. No separate item for interest on borrowed funds is shown. Only the sub-totals are given.

It will be seen in comparing the adjusted figures with those given in Table 1 that the average general and administrative expense and total operating expense are increased to such an extent that all groups record operating losses. An average of 5.0 per cent of the assets less interest paid on borrowed funds is then included with "other income." The total net gain is, therefore, the same as that shown in Table 1.

### Selling Expenses

It was in items of selling expense that the group of firms with sales of from \$500,000 to \$999,999 made their best showing compared with the two other groups. Their expenses under this heading averaged 7.39 per cent of net sales. Selling expenses of the group of small firms amounted to 8.20 per cent of net sales. The highest selling expense of 9.21 per cent was recorded by the group of large firms. One might reasonably expect that selling expense would be reduced with volume. This may be true up to a point beyond which selling expense is liable to increase and this point, according to the data of the limited number of firms covered by this survey, is between \$1,000,000 and \$2,000,000 of annual net sales. It is difficult to say, however, whether or not a wider investigation would bear out this conclusion.

The table also reveals to some extent the method of operation of firms in the three groups. For example, the remuneration of the inside sales force of small firms averaged 0.39 per cent of net sales compared with 1.81 per cent and 1.38 per cent for the middle group and group of large firms respectively. It has been pointed out that the item for salaries of executives averaged higher for the small-firm group than for the other two. It is not too much to assume, therefore, that the lower ratio for the group of small firms in this item of remuneration for inside sales force is due perhaps in part to the fact that their executives handle a large portion of their inside sales business.

Remuneration of outside sales force accounted for 4.27 per cent of net sales in the group of small firms, 2.46 per cent in the middle group and 3.65 per cent in the group of large firms. Unfortunately, in order to avoid disclosing individual operations it has not been possible to give the details of a factor which is most important in influencing this item, namely, extent of sales territory. Speaking generally, the larger firms included in this survey confined their operations to one or two provinces. Many of the smaller firms reporting operated on a national basis. It may be due to this factor of an extended sales territory that the remuneration and expenses of travelling salesmen of small firms are high. A comparison of expenses on the basis of territory covered would have been of value had the number of reporting firms made this possible.

According to Table 1 no brokerage commissions were paid. None of the 22 reporting firms found it necessary to use the services of brokers.



Advertising is a limited item of selling expense in the wholesale dry goods trade. For 1938 the advertising of firms in the small group accounted for only 0.26 per cent of net sales; 0.27 per cent for the middle group and 0.35 per cent for the group of large firms. Discounts allowed to customers averaged 0.73 per cent in the group of small firms; 0.92 per cent in the middle group and 1.88 per cent in the group of large firms.

#### Warehouse, Handling and Delivery Expense

Firms of the middle group which made the highest net profit also recorded the lowest average for warehouse, handling and delivery expense. Their total for these items was 1.82 per cent of net sales. The group of small firms averaged 2.10 per cent while the group of large firms averaged 2.28 per cent.

The most important item of warehouse handling and delivery expense was the remuneration paid to warehouse, shipping and delivery staff. This amounted to 1.60 per cent of net sales for the group of small firms, 1.30 per cent for the middle group and 1.46 per cent for the group of large firms. For the maintenance of delivery trucks the group of small firms had the negligible average of 0.01 per cent of net sales whereas the middle group with 0.12 per cent had the highest. This item is worth noting merely as an indication that few firms maintained their own delivery trucks. Outward parcel postage, freight, etc., averaged 0.24 per cent, 0.20 per cent, and 0.45 per cent for the three groups in order of size. Warehouse supplies averaged 0.15 per cent, 0.04 per cent, and 0.09 per cent.

Warehouse, handling and delivery expense and perhaps a number of items under other headings would be influenced by the volume of "drop shipment" business which a wholesaler transacts. Contributing firms, however, were not requested to supply this information as it is not believed to be of importance in the general line wholesale dry goods trade.

#### Net Profit or Loss

Upon deducting the total operating expenses from the gross margin it was found that firms with annual sales of from \$100,000 to \$499,999 averaged an operating loss of 1.24 per cent of their net sales. Those with annual sales of from \$500,000 to \$999,999 averaged a net profit of 0.68 per cent of net sales and those with annual sales of from \$1,000,000 to \$2,000,000 averaged a net profit of 0.30 per cent of net sales. A striking feature of the completed questionnaires was the large number of firms which just managed to "break even," or perhaps recorded a small loss. Firms with either a substantial profit or with a large loss were exceptional.

Cooperating firms were asked to give the amount of their "other income" such as service charges to or advertising allowances collected from customers, commissions earned, interest, discounts earned and other income incidental to the business. This item in a number of cases was sufficient to change a loss into a profit. With "other income" taken into consideration the net loss of the first group was reduced to 0.30 per cent of net sales. The profit of the second group was increased to 2.01 per cent of sales and to 1.83 per cent of sales in the case of the third group.

### Rate of Stock Turn

It seems logical to suppose that the rate at which a merchant turns over his stock during a year's operations will have some effect on his operating results. A rapid turnover should effect a saving on capital investment, storage space, and insurance. No table has been prepared on the basis of a classification according to rate of stock turn but the rate of turnover is shown for all classifications given.

In Table 1 the average rate of stock turn is shown for the 22 firms examined. In the group of firms with annual sales of \$100,000 to \$499,999 the average stock turn for the year was 2.41 times. In the middle group the average stock turn was 3.15 times while in the group of large firms the average stock turn was 3.63 times.

The rate of stock turn is the number of times the volume of merchandise on the shelves is sold and replaced. It is measured in the present survey by dividing the net cost of the merchandise sold by the average inventory of merchandise at cost. If, for example, the net cost of merchandise sold during the year is \$100,000 and the value of the average inventory at cost is \$25,000, then the rate of stock turn is 4.0 times a year. In other words the average inventory of \$25,000 has been turned over four times. Perhaps it should be emphasized that the rate of stock turn is obtained here by dividing the average inventory into the cost of merchandise sold and not, as is sometimes done, into the net sales. To use the sales figure, which includes gross margin, would give a misleadingly large figure for turnover.

In order to determine the average inventory, questionnaires submitted to the cooperating firms asked for their inventory figures at the beginning and end of the year. These were added together and averaged. But the average inventory computed on the basis of year and inventories may be considerably above or below the true average inventory carried throughout the year. The inventory taken at one period of the year when business is normally dull or brisk will not be typical. Other records in the Bureau of Statistics indicate that the average of the year-end inventories is approximately 17 per cent below an average figure based on monthly returns. An adjustment was accordingly made before computing the stock turn to allow for this difference.

Table 1.--WHOLESALE DRY GOODS TRADE, GENERAL LINE,

Operating Results for Firms Classified According to Amount of  
Annual Sales - 1938.

Expense Item	Total all Firms	Amount of Annual Sales		
		\$100,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 to \$2,000,000
Number of firms reporting .....	22	6	11	5
Aggregate sales .....	\$15,886,395	1,521,366	7,903,395	6,461,634
Average sales .....	\$ 722,109	153,561	718,490	1,292,327
Net sales .....	100.00	100.00	100.00	100.00
Net cost of merchandise sold ..	80.82	78.31	81.03	81.15
Gross margin .....	19.18	21.69	18.97	18.85
<u>Operating Results--% of Sales</u>				
General and Administrative:				
Salaries of executives .....	2.96	4.87	3.20	2.23
Directors' fees and expenses ..	0.09	.00	0.08	0.13
Remuneration--general office staff .....	1.32	1.99	1.22	1.28
Taxes--except income or sales.	0.44	0.38	0.51	0.36
Rentals for property used in business .....	0.55	1.06	0.76	0.16
Light, heat, power and water ..	0.21	0.19	0.22	0.19
Insurance .....	0.23	0.37	0.25	0.18
Repairs and depreciation (buildings and equipment) ..	0.29	0.14	0.29	0.32
Bad debts, provided for or written off .....	0.64	0.50	0.86	0.41
Professional services .....	0.08	0.10	0.10	0.06
Postage and excise .....	0.28	0.29	0.30	0.24
Telephone and telegraph .....	0.12	0.21	0.10	0.12
Printing and stationery .....	0.20	0.18	0.22	0.20
Interest paid on borrowed funds	0.58	1.16	0.37	0.70
Miscellaneous .....	0.60	1.19	0.60	0.48
TOTAL--General and Adminis- trative Expenses ....	8.59	12.63	9.08	7.06
Selling Expenses:				
Remuneration--inside sales force .....	1.50	0.39	1.81	1.38
Remuneration--outside sales force .....	3.12	4.27	2.46	3.65
Expenses of travelling sales- men .....	1.79	2.52	1.67	1.78
Brokerage and commissions paid to others .....	.00	.00	.00	.00
Advertising .....	0.31	0.26	0.27	0.35
Discounts allowed to customers	1.29	0.73	0.92	1.88
Miscellaneous selling expense.	1.20	0.03	0.25	0.17



Table 1.--WHOLESALE DRY GOODS TRADE, GENERAL LINE--(Cont'd.)

Operating Results for Firms Classified According to Amount of Annual Sales - 1938.

Expense Item	Total all Firms	Amount of Annual Sales		
		\$100,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 to \$2,000,000
Warehouse, Handling and Delivery Expense:				
Remuneration--shipping and delivery staff .....	1.39	1.60	1.30	1.46
Maintenance of delivery trucks ....	0.11	0.01	0.12	0.11
Outward parcel postage, freight, etc. ....	0.31	0.24	0.20	0.45
Warehouse supplies .....	0.16	0.10	0.16	0.17
Miscellaneous .....	0.07	0.15	0.04	0.09
TOTAL--Warehouse and Handling Expenses .....	2.04	2.10	1.82	2.28
TOTAL, Operating Expenses .....	18.84	22.93	18.29	18.55
Net Operating Profit or Loss .....	0.34	-1.24	0.68	0.30
Other Income .....	1.37	0.94	1.32	1.53
Total Net Profit or Loss .....	1.71	-0.30	2.00	1.83
Rate of Stock Turnover (times per year)	3.23	2.41	3.15	3.63

Firms Classified According to Profit or Loss

Table 2 sets out the operating results of general line wholesalers with annual sales ranging from \$500,000 to \$999,999 on the basis of profit or loss. From this table some indication may be obtained of the expense factors which contributed to the profitable or unprofitable operations of the year.

Questionnaires of only 11 reporting firms with a total sales volume of \$7,903,395 were sufficiently complete to be used in this comparison. Eight firms reported profits while three reported losses. The firms reporting profits obtained better results than those reporting losses both from the standpoint of gross margin as well as that of operating expense. Their gross margin was 19.57 per cent of net sales, or 2.18 per cent of net sales higher than the gross margin of 17.37 per cent secured by unprofitable firms. In addition to obtaining a better gross margin, profitable firms also operated on an average expense of 17.87 per cent of sales, which was 1.56 per cent less than that of unprofitable firms whose average expense amounted to 19.43 per cent.

A rapid stock turn normally contributes to profitable operations but in the present comparison the advantage, if any, lay with unprofitable firms whose stock turn for the year was 3.31 times. The profitable firms had a stock turn of 3.10 times.

The greatest difference in expense was in the item of salaries paid to executives. For this item the profitable firms recorded 2.73 per cent of net sales which was 1.72 per cent lower than the 4.45 per cent recorded by unprofitable firms.

Largely due to this item general and administrative expenses were considerably higher in the unprofitable group than in the profitable group. In fact, many items of general and administrative expense, such as remuneration of general office staff, taxes, rent, light, heat, power and water, insurance and repairs and depreciation on buildings and equipment were lower in the case of the unprofitable firms than in the case of profitable ones. On the other hand, certain items of expense were higher. Bad debts, for example, amounted to 1.21 per cent of net sales compared with 0.73 per cent for profitable firms.

Selling expenses for the profitable group amounted to 7.49 per cent of net sales. Inside sales force accounted for 2.12 per cent while outside sales force accounted for 2.47 per cent with 1.56 per cent for travelling expenses. Selling expenses of the unprofitable group were 7.16 per cent of sales. Inside sales force accounted for 1.01 per cent; outside sales force for 2.42 per cent and travelling expenses 1.98 per cent of sales.

Expenses for warehouse, handling and shipping were slightly higher in the case of unprofitable firms, amounting to 2.03 per cent of net sales compared with 1.74 per cent for profitable firms.

TABLE 2.--WHOLESALE DRY GOODS TRADE - GENERAL LINE

Operating Results for Firms Classified According to Profit or Loss - 1938  
(Annual Sales \$500,000 to \$999,999)

Expense Item	TOTAL All Firms	Profitable Firms	Unprofitable Firms
Number of firms reporting .....	11	8	3
Aggregate sales .....	\$7,903,395	5,742,476	2,160,919
Average sales .....	718,490	717,810	720,306
Net Sales .....	100.00	100.00	100.00
Net cost of merchandise sold .....	81.03	80.43	82.63
Gross margin .....	18.97	19.57	17.37
<u>Operating Expenses - % of Sales</u>			
General and Administrative:			
Salaries of executives .....	3.20	2.73	4.45
Directors' fees and expenses .....	0.08	0.11	0.00
Remuneration - general office staff ....	1.22	1.26	1.10
Taxes--except income or sales .....	0.51	0.56	0.39
Rentals for property used in business ..	0.76	0.85	0.52
Light, heat, power and water .....	0.22	0.23	0.21
Insurance .....	0.25	0.26	0.24
Repairs and depreciation (buildings and equipment) .....	0.29	0.31	0.22
Bad debts, provided for or written off .	0.86	0.73	1.21
Professional services .....	0.10	0.10	0.12
Postage and excise .....	0.30	0.28	0.35
Telephone and telegraph .....	0.10	0.10	0.10
Printing and stationery .....	0.22	0.18	0.30
Interest paid on borrowed funds .....	0.37	0.35	0.43
Miscellaneous .....	0.60	0.59	0.60
TOTAL - General and Administrative Expenses .....	9.08	8.64	10.24

TABLE 2.--WHOLESALE DRY GOODS TRADE - GENERAL LINE--(Cont'd.)

Operating Results for Firms Classified According to Profit or Loss - 1938

(Annual Sales \$500,000 to \$999,999)

Expense Item	TOTAL All Firms	Profitable Firms	Unprofitable Firms
<b>Selling Expenses:</b>			
Remuneration--inside sales force .....	1.81	2.12	1.01
"    outside sales force .....	2.46	2.47	2.42
Expenses of travelling salesmen .....	1.67	1.56	1.98
Brokerage and commissions paid to others .....	.00	.00	.00
Advertising .....	0.27	0.19	0.49
Discounts allowed to customers .....	0.92	0.99	0.74
Miscellaneous selling expense .....	0.25	0.16	0.52
TOTAL - Selling Expenses .....	7.39	7.49	7.16
<b>Warehouse, Handling and Delivery Expenses:</b>			
Remuneration--shipping and delivery staff .....	1.30	1.24	1.45
Maintenance of delivery trucks .....	0.12	0.15	0.04
Outward parcel postage, freight, etc..	0.20	0.19	0.24
Warehouse supplies .....	0.16	0.13	0.26
Miscellaneous .....	0.04	0.03	0.04
TOTAL - Warehouse and Handling Expenses .....	1.82	1.74	2.03
TOTAL--Operating Expenses .....	18.29	17.87	19.43
Net Operating Profit or Loss .....	0.68	1.70	-2.06
Other Income .....	1.32	1.06	2.00
Total Net Profit or Loss .....	2.01	2.76	-0.06
Rate of Stock Turnover .....	3.15	3.10	3.31

Specialty Lines

In Table 3 the operating results are shown for dry goods wholesalers of specialty lines as distinct from the results of general dry goods wholesalers dealt with in Table 1. Specialty wholesale firms are characteristically smaller than those handling a general line of dry goods and their gross margins and operating expenses are considerably higher, not altogether because of their small size but to some extent because of the nature of their business.

There were 35 specialty firms whose questionnaires were used in the survey. Of this number, however, there were 21 firms with individual annual sales of less than \$100,000 who were unable to give complete answers to all the questions. Small firms apparently do not find it necessary to keep their accounting records itemized to the same extent as their larger competitors, and because of their size and the multiplicity of duties which their employees discharge perhaps it is impossible for them to do so. In any case, as their questionnaires were



not completed in the itemized form requested the sub-totals only were used.

The questionnaires of only 14 large firms were complete and their averages are shown in the last column of Table 2. This group of large specialty dry goods wholesalers had a gross margin of 20.51 per cent with operating expenses of 21.56 per cent. Their operating loss, therefore, amounted to 1.05 per cent of net sales. "Other Income" of 1.27 per cent was sufficient to give them a net profit of 0.22 per cent on the year's operations. The group of 21 specialty wholesalers whose annual sales were less than \$100,000 had a gross margin of 25.19 per cent, an operating expense of 24.57 per cent and a consequent operating profit of 0.63 per cent which was increased to 1.49 per cent of net sales by "Other Income." Although their operating expenses were considerably higher than those of the larger firms, nevertheless the substantially larger gross margin of the smaller firms was sufficient to offset the difference and provide a small profit.

Stock turn was slightly faster with larger firms, amounting to 2.19 times compared with 2.15 times for their smaller competitors.

The classification of "Specialty" wholesaler includes those specializing in knit goods, cottons, piece goods, rayons, silks and velvets, woollens and worsteds, notions and other dry goods. The operating expenses of these specialty firms are not always on the same basis and their problems and the requirements of their various lines of business differ according to the line they handle. For example, due to the very nature of their line, firms specializing in notions on the average have a higher operating expense and a greater gross margin than their fellow merchants in other lines. It would, therefore, have been most desirable to show these specialty firms classified according to their line of business, but the number of usable questionnaires received was not sufficient to allow the calculation of representative average operating ratios for different types.

TABLE 3.--WHOLESALE DRY GOODS TRADE, SPECIALTY LINES

Operating Results of Firms Classified According to Amount of Annual Sales - 1938.

Expense Item	Total All Firms	Amount of Annual Sales	
		Less than \$100,000	\$100,000 to \$499,999
Number of firms reporting .....	35	21	14
Aggregate sales .....	\$5,223,892	1,477,751	3,746,141
Average sales .....	\$ 149,254	70,369	267,581
Net sales .....	100.00	100.00	100.00
Net cost of merchandise sold .....	78.16	74.81	79.49
Gross margin .....	21.84	25.19	20.51
<u>Operating Expenses--% of Sales</u>			
General and Administrative:			
Salaries of executives .....	-	-	3.46
Directors' fees and expenses .....	-	-	.00
Remuneration--general office staff .....	-	-	1.52
Taxes--except income or sales .....	-	-	0.29

TABLE 3.--WHOLESALE DRY GOODS TRADE, SPECIALTY LINES--(Cont'd.)

Operating Results of Firms Classified According to Amount of Annual Sales--1938.

Expense Item	Total All Firms	Amount of Annual Sales	
		Less than \$100,000	\$100,000 to \$499,999
<u>Operating Expenses--%of Sales--(Con.)</u>			
General and Administrative:			
Rentals for property used in business ....	-	-	1.29
Light, heat, power and water .....	-	-	0.08
Insurance .....	-	-	0.37
Repairs and depreciation (buildings and equipment) .....	-	-	0.07
Bad debts, provided for or written off ...	-	-	1.21
Professional services .....	-	-	0.18
Postage and excise .....	-	-	0.22
Telephone and telegraph .....	-	-	0.21
Printing and stationery .....	-	-	0.25
Interest paid on borrowed funds .....	-	-	1.58
Miscellaneous .....	-	-	0.89
TOTAL--General and Administrative Expenses .....	13.12	16.93	11.62
Selling Expenses:			
Remuneration--inside sales force .....	-	-	1.82
" outside sales force .....	-	-	3.58
Expenses of travelling salesmen .....	-	-	0.94
Brokerage and commissions paid to others .	-	-	0.29
Advertising .....	-	-	0.22
Discounts allowed to customers .....	-	-	0.81
Miscellaneous selling expense .....	-	-	0.57
TOTAL--Selling Expenses .....	7.72	6.43	8.23
Warehouse, Handling and Delivery Expense:			
Remuneration--shipping and delivery staff.	-	-	1.01
Maintenance of delivery trucks .....	-	-	.00
Outward parcel postage, freight, etc. ....	-	-	0.49
Warehouse supplies .....	-	-	0.17
Miscellaneous .....	-	-	0.04
TOTAL--Warehouse and Handling Expenses	1.57	1.21	1.71
TOTAL, Operating Expenses .....	-	24.57	21.56
Net Operating Profit or Loss .....	-	0.63	-1.05
Other Income .....	1.15	0.86	1.27
Total Net Profit or Loss .....	-	1.49	0.22
Rate of Stock Turnover (times per year) .....	2.18	2.15	2.19

Firms Classified According to Profit or Loss

There were 21 specialty dry goods, wholesale firms with annual sales of less than \$100,000 able to give totals but not able to break down their expenses into the items requested. These firms have been divided in Table 4 into two groups, those which operated profitably and those which operated at a loss. The better results of the profitable firms were due to their gross margin of 28.85 per cent of net sales which was 10.12 per cent higher than the gross margin of 18.73 per cent which was obtained by the unprofitable firms.

Operating expenses of profitable firms amounted to 25.02 per cent of net sales compared with 23.76 per cent in the case of unprofitable firms. The general and administrative expenses of profitable firms were slightly lower than unprofitable firms but their larger selling, and warehousing, shipping and handling expenses more than offset this difference.

The rate of stock turn for profitable firms was 2.27 times compared with 2.08 times for unprofitable firms.

TABLE 4.--WHOLESALE DRY GOODS, SPECIALTY LINE

Operating Results for Specialty Line Wholesale Dry Goods Firms Classified According to Profit or Loss, 1938.

(Annual Sales less than \$100,000)

Expense Item	TOTAL All Firms	Profitable Firms	Unprofitable Firms
Number of firms reporting .....	21	12	9
Aggregate sales .....	\$1,477,751	944,249	533,502
Average sales .....	\$ 70,369	78,687	59,278
Net sales .....	100.00	100.00	100.00
Net cost of merchandise sold .....	74.81	71.15	81.27
Gross margin .....	25.19	28.85	18.73
<u>Operating Expenses--% of Sales</u>			
TOTAL--General and Administrative Expenses	16.93	16.74	17.27
TOTAL--Selling Expenses .....	6.43	6.86	5.65
TOTAL--Warehouse and Handling Expenses ....	1.21	1.42	0.83
TOTAL--Operating Expenses .....	24.57	25.02	23.76
Net Operating Profit or Loss .....	0.63	3.82	-5.03
Other Income .....	0.86	0.99	0.64
Total Net Profit or Loss .....	1.49	4.81	-4.39
Rate of Stock Turnover .....	2.19	2.27	2.08

NOTE: Further breakdown of expense items was not available.



### Middle Range Comparisons

The foregoing tables show the arithmetic averages of the co-operating firms. That is to say, the dollar totals of each expense item of a group have been expressed as a percentage of the aggregate sales of that group. It will be realized that even one contributing firm with abnormally high or abnormally low figures for any item would unduly affect the averages thus obtained. The total figures for the group in which that firm is included would be out of line with the other firms in the group and the result to that extent would not be representative. In Table 5 this difficulty is overcome by the use of "Middle Range" figures which eliminate firms reporting exceptionally high or low figures for any item.

The method of compiling the table of middle range figures differs from the method used in computing arithmetic averages. For the purpose of explanation we may consider the classification of General Line Wholesalers with annual sales of from \$500,000 to \$999,999. The reports of 11 firms were used in this class. To obtain the arithmetic averages the sales of these 11 firms were added together. The total of each expense item was then taken for the 11 firms and expressed as a percentage of the total sales of the group. But in computing the middle range figures shown in Table 5, the questionnaire of each contributing firm was considered separately. Each and every item of that questionnaire was expressed as a percentage of that particular firm's sales without relation to any of the other contributing firms. These 11 companies could then be compared with each other item by item.

The middle range and "median" figures for this group were then obtained as follows: To obtain the median of salaries of executives the 11 questionnaires were arranged in ascending order according to the amount of the percentage which had been computed for each for this item. For example, the salaries paid to executives by reporting firm "A" may have amounted to 0.75 per cent of net sales; of firm "B", 0.87 per cent of net sales; of firm "C", 1.34 per cent of net sales and so on. When the eleven questionnaires had been arranged according to the amount of this item it was found that the questionnaire in the middle of this list of eleven, or the sixth firm in ascending order, reported executives salaries of 2.95 per cent of net sales. This, then, was the median given in the table. Out of the group of 11 reporting firms there were 5 reporting a higher and 5 reporting a lower percentage of net sales paid as salaries to executives. The 11 questionnaires were then rearranged to obtain the median of the next item of expense in the same way. Each item in the table, therefore, is the percentage of net sales which was expended for that item of expense by the firm appearing in the middle when the 11 firms were arranged in order for that particular item.

To obtain the total median and quartile figures of General Line Wholesalers, the questionnaires of the 22 firms were arranged in order. The median shown in the table for each item is the average of the returns of the two middle firms. The 22 questionnaires were arranged as before for each item in order of the size of the percentage reported for that item. The percentage of the firm which is sixth in the ascending order when thus arranged is the lower quartile, while the percentage of the firm which is seventeenth in the ascending order is the upper quartile. The figures for the first five firms, or the five firms reporting the lowest percentage expense, and the figures for the last five firms or the five firms reporting the highest percentage of expense for each item are, therefore, thrown out. The middle figure or median is given and upper and lower quartiles are the upper and lower limits of the middle half of the reporting firms.

Theoretically the median figures for each item represent the percentage which the common or typical firm expended for that item. If one has a large number of firms to work with this should be practically correct. In the present case, where there are so few firms reporting it is well to check the medians of Table 5 with the arithmetic averages of the previous tables. While the figures of the two types of table are not expected to agree, nevertheless, the large difference in the case of a few items is sufficient to merit a word of explanation.

For example, the item "Maintenance of delivery trucks," while not large, nevertheless, does account for a small expense in the arithmetic tables whereas it is given as 0.0 per cent in Table 5. The explanation of this is that the majority of firms reporting did not maintain any delivery service and, therefore, incurred no expense in this connection. In a sequence of firms for this item the middle firm would, therefore, be one having no expense for delivery truck maintenance. In the same way other apparent discrepancies or wide variations in the two types of table may be accounted for.

Finally it should be pointed out that the sub-totals and the totals of operating expense are computed in the same way as each item. They are not the sum of the medians shown but are in themselves medians.

A copy of the questionnaire completed by contributing firms is appended.

TABLE 5.--WHOLESALE DRY GOODS TRADE, 1938

### Middle Range Figures of Expense Items by Size of Business

Item	GENERAL LINE							SPECIALTY LINES
	Annual Sales (thousands of dollars)							
	TOTAL, All Firms			Medians			All Firms	
	Lower Quartile	Median	Upper Quartile	6	11	5		
Number of firms .....	100.00	22	100.00	100.00	100.00	100.00	35	14
Net sales .....	81.83	80.10	77.45	77.70	81.29	79.69	80.35	80.83
Net cost of merchandise sold .....	18.17	19.90	22.55	22.30	18.71	20.31	19.65	19.17
Gross margin .....								
<u>Operating Expenses--% of Sales</u>								
General and Administrative:								
Salaries of executives .....	2.33	3.79	4.41	5.06	2.95	1.97	-	2.76
Directors' fees and expenses .....	0.00	0.00	0.02	0.00	0.00	0.02	-	0.00
Remuneration--general office staff ..	1.06	1.42	1.73	1.89	1.34	1.20	-	1.65
Taxes--except income or sales .....	0.19	0.35	0.66	0.30	0.66	0.35	-	0.24
Rentals paid--(a) All firms .....	0.02	0.65	1.11	1.06	0.59	0.02	-	1.14
(b) Firms in rented premises only ..	0.58	0.77	1.18	1.06	0.73	0.19	-	1.14
Light, heat, power and water .....	0.08	0.16	0.25	0.09	0.20	0.20	-	0.04
Insurance .....	0.16	0.22	0.30	0.23	0.24	0.16	-	0.27
Repairs and depreciation (buildings and equipment) .....	0.08	0.18	0.34	0.15	0.15	0.34	-	0.02
Bad debts provided for or written off ..	0.38	0.49	0.71	0.52	0.40	0.48	-	1.02
Professional services .....	0.05	0.09	0.13	0.12	0.09	0.06	-	0.16
Postage and excise .....	0.24	0.28	0.34	0.29	0.30	0.24	-	0.22
Telephone and telegraph .....	0.10	0.12	0.15	0.15	0.11	0.12	-	0.23
Printing and stationery .....	0.10	0.19	0.28	0.15	0.24	0.24	-	0.24
Interest paid on borrowed funds .....	0.22	0.46	0.93	1.01	0.24	0.74	-	1.10
Miscellaneous .....	0.29	0.62	1.01	1.09	0.48	0.29	-	0.76
TOTAL--General and Administrative Expenses .....	7.80	9.85	11.59	12.94	9.64	7.80	13.89	10.48

(Continued)



TABLE 5.—WHOLESALE DRY GOODS TRADE, 1938—(Cont'd.)

Middle Range Figures of Expense Items by Size of Business

Item	GENERAL LINE						SPECIALTY LINES		
	Annual Sales (thousands of dollars)								
	TOTAL, All Firms						All Firms		
	\$100 to \$499	\$500 to \$999	\$1,000 to \$1,999				\$100 to \$499	\$500 to \$999	\$1,000 to \$1,999
Selling Expenses:	Medians		Medians		Medians		Medians		
	Lower Quartile	Median	Upper Quartile						
Remuneration--inside sales force .....	0.07	1.54	1.78	0.04	1.55	1.46	-	-	1.06
" outside sales force .....	1.72	2.56	5.43	5.43	2.54	3.81	-	-	2.86
Expenses of travelling salesmen .....	1.23	1.70	2.42	2.27	1.61	1.62	-	-	1.25
Brokerage and commissions paid to others .....	0.00	0.00	0.00	0.00	0.00	0.00	-	-	0.00
Advertising .....	0.07	0.20	0.46	0.11	0.26	0.17	-	-	0.03
Discount allowed to customers .....	0.26	0.91	1.42	0.18	0.95	1.29	-	-	0.55
Miscellaneous selling expense .....	0.00	0.06	0.29	0.00	0.17	0.26	-	-	0.07
TOTAL--Selling Expense .....	6.18	7.77	10.21	7.66	7.70	10.21	6.45	6.95	
Warehouse, Handling and Delivery Expense:									
Remuneration--shipping and delivery staff .....	0.90	1.07	1.79	1.26	1.06	1.08	-	-	0.47
Maintenance of delivery trucks .....	0.00	0.00	0.12	0.00	0.00	0.00	-	-	0.00
Outward parcel postage, freight, etc. .	0.09	0.33	0.42	0.20	0.12	0.42	-	-	0.48
Warehouse supplies .....	0.09	0.11	0.23	0.09	0.10	0.19	-	-	0.15
Miscellaneous .....	0.00	0.00	0.12	0.00	0.00	0.05	-	-	0.00
TOTAL--Warehouse and Handling Expenses .....	1.29	1.97	2.34	3.56	1.68	2.14	0.81	1.34	
TOTAL, Operating Expenses .....	16.39	20.36	22.16	22.21	18.45	18.50	21.15	21.05	
Net Operating Profit or Loss .....	-1.37	0.05	1.39	-1.56	0.50	-0.80	-0.28	-0.68	
Other Income .....	0.47	1.20	1.83	0.69	1.26	1.60	0.59	1.58	
Total Net Profit or Loss .....	0.05	0.81	2.29	-0.04	1.54	0.94	0.84	0.60	
Rate of Stock Turnover .....	2.74	3.01	3.97	2.73	3.00	4.46	2.17	1.86	

### Extent of Wholesale Dry Goods Trade

In 1930, at the time of the last decennial census there were 1,176 firms in Canada, exclusive of shoes and other footwear, engaged in the wholesale dry goods and apparel trade with total annual sales amounting to \$212,716,700. Table 6 shows the number of firms and annual sales by kind of business and by type of operation.

All types are roughly classified into two main groups designated "Wholesalers Proper" and "Other Wholesalers." There were 500 "Wholesalers Proper" including the regular wholesalers such as wholesale merchants and importers who usually perform the complete functions of wholesalers, such as extending credit, buying in bulk and selling in broken lots, providing warehousing and delivery facilities, soliciting orders through salesmen and furnishing market information. Included with these wholesalers proper are also cash and carry wholesalers, drop shippers, mail order wholesalers and wagon distributors but they are unimportant in the Canadian trade. There were 576 "Other Wholesalers" including district sales offices, general sales offices, manufacturers' sales branches, export merchants, various types of agents and brokers such as auction companies, commission agents, buyers' and sellers' brokers, chain store warehouses, etc.

The present report is concerned with the operations of "Wholesalers Proper" and does not deal with "Other Wholesalers." The report is further restricted to four kinds of business; namely, dry goods--general line; dry goods--(specialties n.e.s.); notions; and piece-goods.

From Table 6 it will be noted that the total sales for wholesalers proper in the four lines of business covered amounted to \$77,907,400 in 1930. Total sales of firms reporting to this survey of operating expenses amounted to \$21,110,287 for 1938. On making allowance for the different level of sales in 1930 and 1938, the coverage of sales in this report may be estimated at between 30 and 35 per cent.

Certain data regarding operating expense were obtained in the 1930 Census but many firms were unable to give accurate or detailed information on this subject. Data furnished by firms for payroll and rent, however, were generally complete. Table 7 shows the operating expenses for wholesalers proper in the dry goods and apparel trade for 1930. Wholesalers of shoes and other footwear are not included. The figures for wholesalers of Dry Goods (General Line) are of particular interest. It will be noted that the operating expenses in 1930 of 78 establishments with annual net sales of \$40,592,900 amounted to 18.64 per cent of net sales. The result of the investigation of 1938 operating expenses as shown in Table 1 reveals that during 1938 the operating expenses of 22 general dry goods wholesalers with annual sales of \$15,886,395 amounted to 18.84 per cent of net sales.

Table 6.—Wholesale Dry Goods and Apparel Trade by Kinds of Business and Type of Operation

Kind of Business	Total Firms		Wholesalers Proper		All Other Wholesalers	
	No.	\$	No.	\$	No.	\$
TOTAL .....	1,176	212,716,700	500	92,574,900	576	120,641,800
Clothing and furnishings (other than millinery and footwear)	280	34,247,500	104	11,897,400	176	22,350,100
Clothing (general line).....	11	652,900	8	471,800	3	181,100
Clothing and furnishings .....	43	5,989,400	28	4,426,100	15	1,563,300
Clothing, men's and boys' .....	33	2,183,800	11	772,700	22	1,411,100
Clothing, women's and children's .....	51	3,567,700	14	578,600	37	2,989,100
Clothing (secondhand) .....	4	61,000	4	61,000	-	-
Furnishings (general line) .....	26	8,124,300	10	1,919,900	16	6,204,400
Furnishings, (men's and boys') .....	48	5,794,000	10	1,434,100	38	4,359,900
Furnishings, (women's and children's) .....	14	1,019,300	3	137,100	11	882,200
Furs and fur clothing .....	9	507,600	3	61,000	6	446,600
Hats and caps .....	18	2,726,800	7	1,571,200	11	1,155,600
Hosiery .....	8	2,366,100	1	(X)	7	(X)
Other Clothing and furnishings .....	15	1,254,600	5	(X)	10	(X)
Dry goods (general line) .....	142	51,338,900	89	41,648,200	53	9,690,700
Dry goods (specialty, n.e.s.) .....	95	21,402,400	37	4,425,400	58	16,977,000
Knit goods .....	77	19,569,700	29	3,570,500	48	15,999,200
Other dry goods .....	18	1,832,700	8	854,900	10	977,800
Millinery and millinery supplies .....	92	5,790,800	29	2,770,100	63	3,020,700
Notions .....	119	11,673,900	85	5,480,400	34	6,193,500
Buttons .....	2	(X)	2	(X)	-	-
Gloves .....	9	1,717,100	6	1,514,500	3	202,600
Laces and embroideries .....	16	905,800	12	794,900	4	110,900
Notions (general line) .....	79	8,447,800	54	2,680,500	25	5,767,300
Tailors' trimmings and supplies .....	13	(X)	11	(X)	2	(X)
Piece goods .....	348	88,263,200	156	26,353,400	192	61,909,800
Cotton goods .....	36	27,172,300	8	(X)	28	(X)
Linen .....	11	673,300	5	320,400	6	352,900
Piece goods (general line) .....	126	20,714,300	65	10,415,100	61	10,299,200
Rayons .....	13	6,865,800	2	(X)	11	(X)
Silks and velvets .....	43	12,881,000	20	5,165,700	23	7,715,300
Woolens and worsteds .....	119	19,956,500	56	7,726,400	63	12,230,100

(X) Figures withheld to avoid disclosing individual operations.



Current Trends

The last complete census was taken for 1930 in which year dry goods wholesalers (including notions and piece goods) recorded sales of \$77,907,000. Although no subsequent census has been taken, surveys are made each year and on the basis of samples of representative firms indexes of sales are computed which show the general trend of the trade. Following the year 1930, sales fell off and in 1933 had dropped to \$47,693,000. The sales index for that year stood at 61.2 (1930 = 100.) The index rose to 70.3 in 1934; 71.6 in 1935; 74.8 in 1936; and 82.6 in 1937.

This gradual improvement in the trade received a set back in 1938, however, during every month of which sales of dry goods wholesalers fell below sales for the corresponding months of 1937. At the end of December, it was found on the basis of monthly reports received at the Bureau from sample firms across Canada that sales for the year were 10.9 per cent below sales for 1937, a decrease which was recorded in every economic section of Canada.

Table 7.--Operating Expenses for Wholesalers Proper  
in the Dry Goods and Apparel Trade

Canada - 1930

Kind' of Business	Total No. of Estab- lishments Repor- ting	No. of Pro- prie- tors	Salaries and Wages of Employees	Total Expenses (including sala- ries and wages) <sup>2</sup>		Net Sales
				Amount	% of Net Sales	
TOTAL (1) .....	437	370	7,648,000	15,140,300	17.12	88,433,400
Clothing and furnishings (other than millinery and footwear) .....	89	85	851,200	1,825,000	16.28	11,211,200
Dry goods (general line) .	78	72	4,062,300	7,567,700	18.64	40,592,900
Dry goods (specialty, n.e.s.) .....	27	30	230,900	527,600	16.92	3,119,000
Millinery and millinery supplies .....	29	22	289,000	604,800	21.83	2,770,100
Notions .....	74	73	541,500	1,119,000	21.73	5,148,700
Piece goods .....	140	88	1,673,100	3,496,200	13.66	25,591,500

(1) Not all firms were able to report operating expenses. This table is based upon information furnished by those firms which could supply the necessary data.

(2) Not including proprietors' salaries.

Keep one copy for your file

File No. \_\_\_\_\_

SPECIAL ANALYSIS OF OPERATING RESULTS OF  
THE WHOLESALE TRADE, 1938

Please note that all replies will be treated as strictly confidential.  
Average results only will be shown.

All figures given in answer to the questions on this schedule should relate to the calendar year, 1938, or to your fiscal year most closely conforming to that period.

1. GROSS SALES ..... \$ \_\_\_\_\_

2. DEDUCTIONS--(Do not itemize separately)

    (a) Returns from and allowances to customers.  
        (Note--Do not deduct cash discounts taken by customers which  
            will be shown as an expense)

    (b) Freight, postage and other items charged to customers and included in amount of gross sales.

    (c) City or provincial sales taxes, if any.

    (d) Dominion sales taxes paid by licensed wholesalers.

        TOTAL DEDUCTIONS ..... \$ \_\_\_\_\_

3. NET SALES--(Item (1) minus Item (2) ..... \$ \_\_\_\_\_

4. COST OF MERCHANDISE SOLD.

    (a) Inventory, January 1, 1938, or nearest inventory date \$ \_\_\_\_\_

    (b) Value of merchandise purchased during year (include duty, inward freight, express or truckage and other expenses incidental to receipt of goods. Do not deduct cash discounts taken which will be shown as "other income." Include manufacturing wages, if any) ..... \$ \_\_\_\_\_

    (c) Total of (a) and (b) ..... \$ \_\_\_\_\_

    (d) Inventory, December 31, 1938, or nearest inventory date ..... \$ \_\_\_\_\_

    (e) Cost of goods sold, Item (c) minus Item (d) ..... \$ \_\_\_\_\_

5. GROSS PROFIT ON SALES (Net sales less cost of goods sold)  
    Item (3) minus Item 4(e) ..... \$ \_\_\_\_\_

6. OTHER INCOME--(Service charges to or advertising allowances collected from customers, commissions earned, interest, discounts earned, etc. .... \$ \_\_\_\_\_

7. TOTAL INCOME--(Item (5) plus Item (6) ..... \$ \_\_\_\_\_

8. OPERATING EXPENSES:

(a) General and Administrative Expenses:

1. Salaries of executives--(Include buyers) ..... \$ \_\_\_\_\_
2. Directors' fees and expenses ..... \$ \_\_\_\_\_
3. Salaries and wages of general office staff ... \$ \_\_\_\_\_
4. Taxes (property and business, but no income  
nor sales taxes) ..... \$ \_\_\_\_\_
5. Rent or other occupancy expenses paid for all  
rented property used in the business ..... \$ \_\_\_\_\_
6. Light, heat, power and water ..... \$ \_\_\_\_\_
7. Insurance (fire, theft, liability, compensa-  
tion insurance on employees, etc.) ..... \$ \_\_\_\_\_
8. Repairs and depreciation on buildings and  
equipment--(Do not include depreciation  
on delivery trucks or salesmen's cars) ... \$ \_\_\_\_\_
9. Provision for bad debts or amounts actually  
written off during the year ..... \$ \_\_\_\_\_
10. Professional services (legal, auditing, etc.) \$ \_\_\_\_\_
11. Postage and excise ..... \$ \_\_\_\_\_
12. Telephone and telegraph ..... \$ \_\_\_\_\_
13. Printing and stationery ..... \$ \_\_\_\_\_
14. Interest paid on borrowed funds--(Include bond  
and mortgage interest--Do not include interest  
on own investments.) ..... \$ \_\_\_\_\_
15. Miscellaneous ..... \$ \_\_\_\_\_

TOTAL General and Administrative Expenses ..... \$ \_\_\_\_\_

(b) Selling Expenses:

1. Salaries, commissions and bonuses paid to  
inside sales force ..... \$ \_\_\_\_\_
2. Salaries, commissions and bonuses paid to  
outside sales force ..... \$ \_\_\_\_\_
3. Expenses of travelling salesmen (Include  
allowances for automobiles, gas and oil,  
depreciation, repairs, insurance, etc., on  
owned cars)..... \$ \_\_\_\_\_



(b) Selling Expenses: (Cont'd.)

4. Brokerage fees and commissions paid to others .....	\$	_____
5. Advertising .....	\$	_____
6. Discounts allowed to customers .....	\$	_____
7. Miscellaneous selling expense .....	\$	_____
TOTAL Selling Expense .....	\$	=====

(c) Warehouse Handling and Delivery Expense:

1. Salaries and wages of shipping, receiving and stock taking staff and truck drivers	\$	_____
2. Maintenance of delivery trucks--(Include gas, oil, depreciation, repairs, licenses, insurance, etc.) .....	\$	_____
3. Outward parcel postage, freight, express and trucking paid to outsiders .....	\$	_____
4. Warehouse supplies (paper, twine, packing, etc.) .....	\$	_____
5. Miscellaneous .....	\$	_____
TOTAL Warehouse and Handling Expense .....	\$	_____

(d) Total Operating Expense .....	\$	=====
-----------------------------------	----	-------

9. NET PROFIT--(Before making provision for Dominion Income tax)		
Item 7 minus Item 8(d) .....	\$	_____

---

10. What is the extent of territory covered by your sales?

(a) Within a radius of 25 miles .....	_____
(b) Provincial .....	_____
(c) Region of two or three provinces .....	_____
(d) Dominion wide .....	_____

11. Please give general description of the merchandise carried<sup>1</sup> by your firm:

(a) General line of .....	
(Indicate whether groceries, dry goods, hardware, etc.)	

or

(b) Specialty line of -	
(Name chief specialty lines carried)	

(1) .....	
(2) .....	
(3) .....	

12. What was the total value of the assets of your firm at the end of 1938, including a reasonable value for land, buildings and equipment owned, merchandise inventory, improvements on leased properties, accounts and notes receivable and cash on hand? .... \$ \_\_\_\_\_

13. State the number of proprietors engaged in the business and whose salaries or remuneration is not included in the answer to Question 8(a) ..... No. \_\_\_\_\_

14. Give any special comments regarding the business transacted by your firm which you think might assist us in the preparation of a composite report giving average operating results.

.....

.....

.....

.....

.....

Period covered by above figures ..... 193

to ..... 193

Name and title of person furnishing information:

Name .....

Title (accountant, etc.) .....

Address .....

.....

Date ..... 193

Lacking 1939-46





DEPT. OF  
POLITICAL ECONOMY

Published by Authority of the Rt. Hon. C. D. Howe, M.P.,  
Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**  
**MERCHANDISING AND SERVICES SECTION**  
**OTTAWA, CANADA**

---

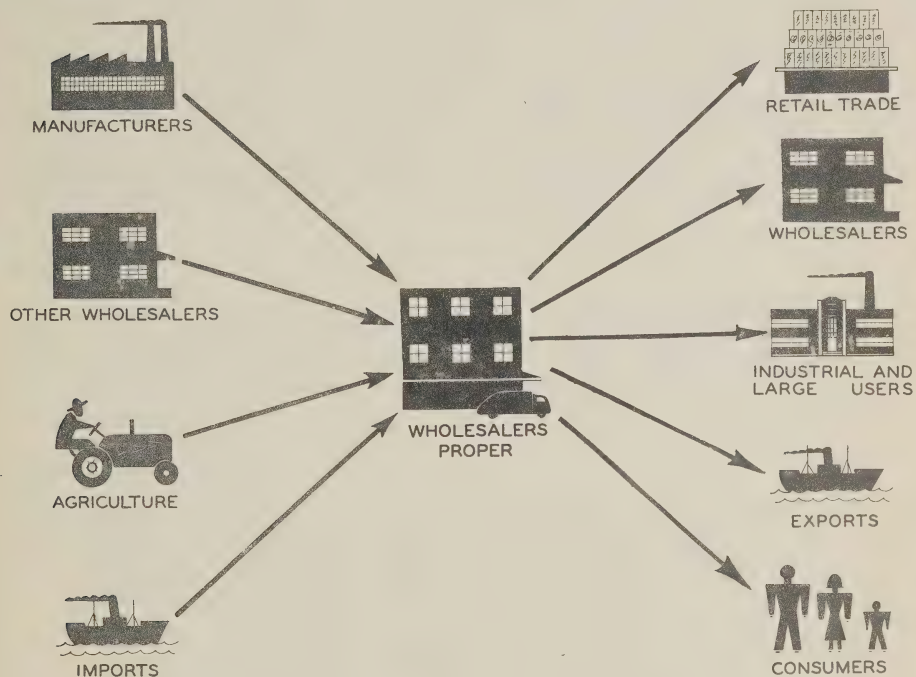
**OPERATING RESULTS**  
**OF**  
**DRY GOODS, PIECE GOODS**  
**AND**  
**FOOTWEAR**  
**WHOLESALE**  
**1947**







# OPERATING RESULTS OF WHOLESALESA



WHOLESALESA OF  
DRY GOODS  
PIECE GOODS  
FOOTWEAR



# CONTENTS.....

	<u>Page</u>
Facsimile of the Schedule .....	2
Bulletins in this Series .....	4
Introduction .....	5
Results of the Survey .....	9
Table 1. Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers compared, 1947 .....	9
Chart - Operating Results by Size of Business, 1947 .....	10
 <u>Dry Goods</u>	
Summary Points .....	11
Table 2. - Expenses and Profits of Incorporated Firms, 1947	12
Table 3. - Operating Results of All Firms, by Size .....	13
Table 4. - Operating Expenses of All Firms, by Size .....	14
 <u>Piece Goods</u>	
Summary Points .....	15
Table 5. - Operating Results of All Firms, by Size .....	17
Table 6. - Operating Expenses of All Firms, by Size .....	18
Table 7. - Expenses according to Distribution of Sales, 1947 .....	19
Table 8. - Expenses and Profits of Incorporated Firms, 1947	19
Table 9. - Operating Results of Wholesalers of Woollen Piece Goods, 1947 .....	20
 <u>Footwear</u>	
Summary Points .....	21
Table 10. - Expenses and Profits of Incorporated Firms, 1947 .....	21
Table 11. - Operating Results of All Firms, by Size .....	22
Table 12. - Operating Expenses of All Firms, by Size .....	23



# FACSIMILE OF THE SCHEDULE .....

CONFIDENTIAL

Please aim to return one copy of this form, properly completed, on or before .....



DOMINION BUREAU OF STATISTICS

File no. ....

 MERCHANDISING AND SERVICES  
OTTAWA

## OPERATING COSTS IN WHOLESALE TRADE

1947

The returns from this inquiry will be used in the preparation of a report which will be published for the general use of the trade, describing average operating results and profits against which the individual firm may compare its own results.

All replies will be treated as strictly confidential. Figures for all firms in the same line of business will be combined and average results only will be shown. Your report will not be used for income tax purposes or divulged to any other government department.

All figures should relate to the calendar year or to the fiscal year conforming most closely to the calendar year. PLEASE answer all questions.

### I. DESCRIPTION OF BUSINESS

- (1) Name of firm is .....
- (2) Address of firm is .....
- (3) This business sold the following commodities, in order of importance by volume. Insert sales percentage of each. Example, groceries 60%, fruit 20%, tobacco 10%, confectionery 10%.
- (a) .....% (d) .....%
- (b) .....% (e) .....%
- (c) .....% (f) .....%
- (This breakdown will allow grouping and tabulation of firms which are comparable as to commodities)
- (4) This business was conducted by - (Estimate percentage of each type)
- (a) Wholesale merchant (performing functions of warehousing and delivery) .....%
- (b) Agent and/or broker .....% (c) Other - (specify) .....%
- (5) This business was a corporation ☐, partnership ☐, individual proprietorship ☐.
- (6) The sales of this firm were distributed to - (give estimated percentage if amounts are not known)
- (a) Retail stores .....% (d) Industrial and other large users .....%
- (b) Voluntary groups .....% (e) Consumers (at retail) .....%
- (c) Other wholesalers .....% (f) Other - (specify) .....%
- (7) This business was a single establishment ☐, a multiple organization ☐.
- If single, please complete numbers 8 and 9; if multiple complete number 10.
- (8) We processed .....% of the merchandise sold. (Give approximate percentage)
- (9) The amount of floor space used in 1947 was .....sq.ft. The number of floors used was .....
- (10) This business is a multiple organization with head office and branches as follow:

Address	1947 Sales \$	Floor space		Percentage goods processed %
		No. floors	Sq. ft.	
Head Office .....				
1. ....				
2. ....				
3. ....				
4. ....				
5. ....				
6. ....				
7. ....				
8. ....				
9. ....				

If more branches, please attach supplementary list.

## II. PROFIT AND LOSS STATEMENT, 1947:

## A.

MERCHANDISING STATEMENT

- (1) Net sales - gross sales less returns, allowances, and trade discounts ..... \$ \_\_\_\_\_
- (2) Inventory of merchandise for resale, at beginning of year ..... \$ \_\_\_\_\_
- (3) Merchandise purchased for resale - invoice value plus duty,  
inward freight and truckage; less returns, allowances,  
and trade discounts ..... \$ \_\_\_\_\_
- (4) Total of beginning inventory and net purchases (item 2 plus 3) ..... \$ \_\_\_\_\_
- (5) Inventory of merchandise for resale, at end of year ..... \$ \_\_\_\_\_
- (6) Net cost of goods sold, (item 4 minus item 5) ..... \$ \_\_\_\_\_
- (7) Gross margin or profit (item 1 minus item 6) ..... \$ \_\_\_\_\_

## B.

EXPENSE STATEMENT

## SELLING EXPENSES:

- (1) Salaries, commissions, and bonuses paid to sales force ..... \$ \_\_\_\_\_
- (2) Travelling expenses of salesmen (inc. sales manager) ..... \$ \_\_\_\_\_
- (3) Advertising (catalog, display, newspaper, radio, magazine) ..... \$ \_\_\_\_\_
- (4) Other selling expenses ..... \$ \_\_\_\_\_
- (5) Total selling expenses (total of items 1 to 4) ..... \$ \_\_\_\_\_

## WAREHOUSE AND DELIVERY EXPENSES:

- (6) Salaries and wages paid to shipping and receiving staff, truck drivers, etc. .... \$ \_\_\_\_\_
- (7) Maintenance of delivery trucks (gas, oil, repairs, depreciation, insurance, etc.) \$ \_\_\_\_\_
- (8) Outward freight, express, parcel post, and contract hauling ..... \$ \_\_\_\_\_
- (9) Warehouse supplies (such as paper, twine, packaging materials) ..... \$ \_\_\_\_\_
- (10) Other warehouse and delivery expense ..... \$ \_\_\_\_\_
- (11) Total warehouse and delivery expense (total of items 6 to 10) ..... \$ \_\_\_\_\_

## GENERAL AND ADMINISTRATIVE EXPENSES:

- (12) Administrative and office salaries (if unincorporated, include proprietors)..... \$ \_\_\_\_\_
- (13) Employees' benefits paid by firm (pension fund, unemployment insurance,  
hospitalization, workmen's compensation or other staff benefits) ..... \$ \_\_\_\_\_
- (14) Occupancy expense - for premises used in the business (taxes, insurance, repairs,  
depreciation allowances, and interest (a) on owned real estate and/or  
rentals paid for rented premises ..... \$ \_\_\_\_\_
- (15) Light, heat, power, and water ..... \$ \_\_\_\_\_
- (16) Taxes other than on real estate and excluding income and sales taxes ..... \$ \_\_\_\_\_
- (17) Insurance other than on real estate ..... \$ \_\_\_\_\_
- (18) Office supplies ..... \$ \_\_\_\_\_
- (19) Postage, telephone, telegraph ..... \$ \_\_\_\_\_
- (20) Cash discounts allowed to customers ..... \$ \_\_\_\_\_
- (21) Loss on bad debts - amount written off during the year ..... \$ \_\_\_\_\_  
less amount recovered ..... \$ \_\_\_\_\_
- (22) All other expenses ..... \$ \_\_\_\_\_
- (23) Total general and administrative expenses (total of items 12 to 22) ..... \$ \_\_\_\_\_
- (24) TOTAL OPERATING EXPENSES (add items 5, 11, and 23) ..... \$ \_\_\_\_\_
- (25) OPERATING PROFIT (item IIA(?) minus item 11B(24)) ..... \$ \_\_\_\_\_

## C.

NET GAIN STATEMENT

- (26) Other trading income (b) - such as discounts taken on purchases, interest earned. \$ \_\_\_\_\_
- (27) Income tax or provision made, 1947 ..... \$ \_\_\_\_\_
- (28) NET PROFIT OR LOSS (item 25 plus item 26 minus item 27) ..... \$ \_\_\_\_\_

For notes on (a) and (b) see next page.

## IN THIS SERIES.....

### OPERATING RESULTS OF RETAIL CHAIN STORES (1947)

1. Food chains
2. Clothing chains
3. Miscellaneous chains

### OPERATING RESULTS OF INDEPENDENT RETAIL STORES (1944, 1945, 1946)

1. Food stores
2. Clothing stores
3. Country general and dry goods stores
4. Hardware, furniture, household appliances  
and radio stores
5. Miscellaneous stores
6. Filling stations and garages

### OPERATING RESULTS OF WHOLESALERS (1947)

1. Food and tobacco
2. Dry goods, piece goods, footwear
3. Miscellaneous wholesalers

Price 25¢ each.

Merchandising and Services Section  
Dominion Bureau of Statistics

For a complete list of Dominion Bureau of Statistics publications write to the Dominion Bureau of Statistics,  
Ottawa.



DOMINION BUREAU OF STATISTICS  
MERCHANDISING AND SERVICES STATISTICS  
OTTAWA

---

Dominion Statistician: HERBERT MARSHALL  
Director, Division of Census of Industry and Merchandising: W.H. Losee  
Chief, Merchandising and Services Statistics: C.H. McDonald

---

Series, 1947

16-7081

No. 17

## OPERATING RESULTS OF DRY GOODS AND PIECE GOODS WHOLESALEERS, 1947

### Content of the Bulletin

This publication contains the results of a survey on the operations of wholesalers in the dry goods, piece goods, and shoe trades. A similar study was made by the Dominion Bureau of Statistics on wholesalers in general line dry goods and specialty line dry goods in 1938. No previous survey into operating costs of shoe wholesalers has been made by the Bureau.

Other bulletins in the 1947 wholesale operations series will cover the following trades:- groceries, fruits and vegetables, tobacco and confectionery, automotive accessories, drugs, hardware, heating and plumbing equipment.

### Purpose of the Survey

The costs of distribution, and the allocation of these costs has become the focus of attention of merchants, the general public and government in recent years. While distribution expenses are by no means confined to middlemen and retailers, the approach to the problem of assessing these costs must be made through these types of business organization. The Bureau has carried on extensive studies into the operating expenses of independent retailers, first for the year 1938, and again for 1944, 1945 and 1946.

As a result of requests from the trade, from individuals and from trade associations, it became apparent that the remaining distributive agencies should be surveyed for operating costs. The result has been studies on the operations of retail chains and wholesalers proper covering the year 1947.

## What is Distribution?

The three major channels of distribution -- independent retail firms, chain store firms and wholesalers -- leave untouched much of the field of distribution costs.

The conversion of goods from raw materials to finished products, and the placing of commodities before consumers involves the processes of production and distribution. The distinction between the two terms as made by economics seems quite clear cut. Production involves the addition of physical or form utilities to goods, by means of such acts as processing, fabrication, and transformation. Distribution, on the other hand, involves the addition of time and place utilities to goods, by such means as transportation, storage, merchandising, display, advertising, expenses of carrying stocks (spoilage, shrinkage), losses from bad debts and financing.

It becomes evident from the consideration of this distinction that distribution costs are not limited to the handling of finished consumers' goods, and that a large part of such expense is borne by primary producers and manufacturers during the early stages of fabrication or processing of commodities. The transportation of raw materials, expenses of storage while awaiting processing, financing of inventories, are all distribution costs incurred before the end-product is ready for the ultimate consumer.

While the producer and processor assume some of the costs of distribution, the retailer and wholesaler may take on certain productive functions. Wholesalers may package and repack commodities while certain retailers such as clothiers finish off semi-ready garments or make alterations on finished clothing.

Although the distinction between production and distribution is a useful one, and serves to separate major functions, there are costs which are not clearly one or the other. Some of these difficult to allocate are insurance, financing, taxes, service department costs, and executive salaries. The list is not exhaustive, but where it is impossible to make a clear-cut division of functions, costs are often apportioned on a pro-rata basis, decided upon by the relative expense ratios of more easily allocated functions, such as selling salaries, store occupancy expense, advertising etc.

Distribution costs, therefore, are not limited to middlemen or retailers but are a part of the interlocking distribution-production system which prepares finished goods and places them before the consumer. The practical distinction between distributive and production is made, however, by dividing industry into units which perform chiefly either the productive or distributive functions.

Major distributive agencies may be classified as follows:

Wholesalers or the Intermediary trade

Wholesalers proper  
Manufactures' sales branches or  
    offices  
Petroleum bulk tank stations  
Agents and Brokers  
Assemblers of primary products  
Other types of operation

Retailers

Independent Retailers  
Independent Consumer Co-operatives  
Chains - Voluntary chains  
    Chains under central ownership  
        and Control  
Retail co-operative chains.

Relative importance of wholesalers proper to total wholesale trade is shown below.

Wholesale Trade - 1941 Census

<u>Type of Operation</u>	<u>Percent of Total Sales</u>
Wholesalers proper .....	44.6
Manufacturers sales branches ....	22.8
Petroleum bulk tank stations ....	4.1
Agents and brokers .....	17.2
Assemblers of primary products ..	8.5
Other types of operation .....	2.8
	<hr/> 100.0

Source;  
1941 Census  
Vol. XI, Table 1,  
P. XXXI

The ten trades surveyed accounted for 35 per cent of the sales of all wholesalers proper in 1941.



### The Schedule

In order that the form be designed in such a way that it could be filled out with a minimum of effort from existing accounting records a sample questionnaire was drawn up and despatched to all known firms in the trades surveyed. An accompanying letter requested that the companies make suggestions which would make the items clear and readily understood throughout the trade. The recommendations received were invaluable in the design of the final form.

A facsimile of the main portion of this final schedule is presented on pages 2 and 3 to help clarify meanings of terms.

### Methods

The ten trades in the survey were selected for their importance in the field of wholesale distribution of consumer goods to retailers. Other trades of considerable weight were omitted because their sales were made largely to industrial users of lumber and building materials, chemicals, machinery and equipment, etc. As far as possible the wholesalers canvassed were those performing the functions of warehousing and delivery.

Wholesalers proper may be briefly defined as wholesale establishments buying and selling goods on their own account. From this group those types not actually handling the merchandise - drop shippers and desk jobbers - were omitted.

When the reports were received, some could not be used for such reasons as manufacturing activities, partial brokerage or agency business, for which expenses could not be separated from the functions of a warehousing and delivery wholesaler. Mixture of commodities not typical of the trade and unrelated as to cost of handling eliminated other returns from tabulation. Where the number of reports was sufficient the results were tabulated according to the most suitable sales-size range. The salaries of proprietors and partners were included with administrative salaries. Income tax tabulation was made only for incorporated firms.

As with all surveys conducted by the Dominion Bureau of Statistics only average results are shown and all information submitted by the co-operating firms has been kept in strictest confidence.

## RESULTS OF THE SURVEY.....

All wholesalers proper, as previously defined for inclusion in this survey, were canvassed by mail. Certain returns could not be used as typical and a few firms did not co-operate in submitting reports. The results presented, however, are deemed a good average of the respective trades.

Of the three kinds of business presented in this bulletin, footwear wholesalers were the most specialized. Piece goods wholesalers included some firms selling small amounts of other commodities such as clothing and notions, and dry goods wholesalers were those firms selling a general line of dry goods - clothing, notions, piece goods, house furnishings, etc. Of the three, dry goods firms were the largest in average size, and effected a faster rate of stock turnover than the other kinds. Firms dealing in dry goods and footwear sold mainly to the retail trade, while firms selling piece goods catered more to the needs of industry than to retailers. In common with most wholesale establishments, the bulk of sales were made on a credit basis, ranging between 96.7 and 98.0 per cent of net sales.

Piece goods wholesalers obtained the highest gross and net profits with dealers of footwear recording the lowest in each case. Firms selling a general line of dry goods to retail stores expended a greater proportion of their gross margin on operating expenses. A comparison of some of the main operating features for the three trades is shown below:

Table 1. OPERATING RESULTS OF DRY GOODS, PIECE GOODS,  
AND FOOTWEAR WHOLESALERS, 1947

Item		Dry goods	Piece goods	Footwear
Average sales per firm	\$	1,476,646	509,629	511,228
Stock turn (times per year)		6.4	5.0	4.8
Sales to retailers	%	92.2	38.3	97.3
Credit sales % of total	%	96.9	96.7	98.0
Sales per 1000 sq. ft. floor space	\$	43,237	121,370	76,460
<u>PROFIT AND LOSS DATA -</u> (Percent of net sales)				
Gross profit		16.64	18.40	12.64
Expenses:				
Selling		4.39	3.93	3.95
Warehouse and delivery		1.64	1.58	1.56
General and administrative		6.10	5.40	4.55
Total operating expenses		12.13	10.91	10.06
Net operating profit		4.51	7.49	2.58
Other trading income		1.04	0.71	0.50
Total net profit before income tax deduction		5.55	8.20	3.08

# OPERATING RESULTS OF WHOLESALERS OF DRY GOODS, PIECE GOODS, AND FOOTWEAR 1947

ANNUAL SALES  
VOLUME

PERCENTAGE OF NET SALES

0 5 10 15 20 25

## DRY GOODS

UNDER \$250,000

\$250,000-999,999

\$1,000,000-2,999,999

\$3,000,000 AND OVER

ALL SIZES (COMBINED)

## PIECE GOODS

UNDER \$200,000

\$200,000-499,999

\$500,000-999,999

\$1,000,000 AND OVER

ALL SIZES (COMBINED)

## FOOTWEAR

UNDER \$200,000

\$200,000-499,999

\$500,000 AND OVER

ALL SIZES (COMBINED)

LEGEND

NET PROFIT

SELLING EXPENSE

WAREHOUSE  
AND DELIVERYGENERAL AND  
ADMINISTRATIVE

0 5 10 15 20 25

(1) INCLUDES OTHER TRADING INCOME AND INCOME TAX.



## DRY GOODS.....

Fifty-three firms in the classification of general line dry goods wholesalers returned satisfactory reports to this survey. These firms were divided into four sales-size groups, for which a certain amount of description is given in the following table:

### GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales				
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	All sizes
Number of firms .....	19	14	14	6	53
Incorporated companies .....	8	8	13	6	35
Single establishments .....	19	14	12	5	50
Sales distribution to:					
Retail stores .....%	84.7	95.6	90.2	93.4	92.2
Wholesalers & industry .. %	12.1	4.3	9.7	5.9	7.2
Others ..... %	3.2	0.1	0.1	0.7	0.6

The small proportion of sales to large users and the small number of multiple organizations did not warrant separate tabulation for these two factors. Summary points in the operations of these firms in 1947 are set out below.

1. For every \$100 net sales in 1947, dry goods wholesalers paid \$83.36 as cost of goods sold and retained \$16.64 to meet expenses and allow a net profit on operations. The size class between \$1,000,000 and \$2,999,999 realized the largest gross profit and the other three groups were slightly below the "all size" average of \$16.64. Net operating profit followed the same trend by size, averaging \$4.51 out of every \$100 net sales. Other trading income, in the form of purchase discounts and earned interest added \$1.04 to this operating profit to make a total net profit before income tax deduction of \$5.55 (Table 3)
2. No definite trend was shown over the size classes in the main expense functions. Total operating expenses amounted to 12.13 per cent of net sales with administrative and general expenses accounting for half the amount at 6.10 per cent. Selling expense formed 4.39 per cent and warehouse and delivery expense 1.64 per cent of net sales. (Table 3).

3. There was a substantial increase in stocks on hand at the end of 1947 as compared to the dollar volume on hand at the beginning of the year due in part at least to the increasing level of trading. The rate of stock turnover - based on the average of the two inventories - ranged from 4.6 times to 7.5 times per year with the largest firms selling and replacing stock the greatest number of times. (Table 3).
4. The largest single item of expense was selling salaries at 3.40 per cent of net sales. Total salaries - selling, warehouse and delivery, and administrative - absorbed 7.40 per cent of sales, accounting for 61 per cent of total expenses. These and other items of expense for the four size groups are shown in detail in table 4.
5. Income tax tabulation, made for incorporated companies, showed that income tax paid ranged from 49 per cent of profit (operating profit plus other trading income) in the largest class to 38 per cent in the smallest. Because of the omission of unincorporated firms from this tabulation, gross and net profit differ slightly from the ratios shown in table 3. (Table 2).

Table 2. - DRY GOODS WHOLESALERS - Expenses and Profits of Incorporated Companies, 1947, by size of firm.

(Items shown as percentage of net sales)

Sales-size	Gross Profit	Total Operating Expenses	Operating Profit	Other Trading Income	Income Tax	Final Net Profit
	%	%	%	%	%	%
Under \$250,000 .....	15.51	11.75	3.76	0.49	1.63	2.62
\$ 250,000 - \$ 999,999 .	15.96	12.73	3.23	0.68	1.54	2.37
\$1,000,000 - \$2,999,999 .	18.24	12.68	5.56	1.02	3.03	3.55
\$3,000,000 and over .....	16.16	11.82	4.34	1.14	2.68	2.80
All sizes .....	16.81	12.15	4.66	1.06	2.70	3.02

Table 3. - OPERATING RESULTS OF DRY GOODS WHOLESALEERS, 1947 - By Size of Firm

Item	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	Total All Sizes
Number of firms reporting ....	19	14	14	6	53
Average net sales per firm . \$	160,916	467,839	1,844,365	7,138,997	1,476,646
Average cost of goods sold . \$	135,965	395,268	1,514,761	5,985,389	1,230,870
Stock turnover (times per year) .....	5.4	4.6	5.6	7.5	6.4
Average beginning inventory \$	20,205	74,940	241,927	677,284	167,618
Percent of net sales .....	12.56	16.02	13.12	9.49	11.35
Average ending inventory ... \$	30,359	96,589	294,810	926,489	219,158
Percent of net sales .....	18.87	20.65	15.98	12.98	14.84
<b>PROFIT AND LOSS DATA -</b> (Percent of net sales)					
Gross margin or profit .....	15.51	15.51	17.87	16.16	16.64
Operating Expenses:					
Selling .....	4.17	3.88	4.04	4.69	4.39
Warehouse and delivery .....	1.57	1.80	2.08	1.36	1.64
General and administrative .	6.69	6.81	6.41	5.77	6.10
Total Operating Expenses .....	12.43	12.49	12.53	11.82	12.13
Net Operating Profit .....	3.08	3.02	5.34	4.34	4.51
Other trading income .....	0.46	0.64	1.04	1.14	1.04
Total net profit before in- come tax deduction .....	3.54	3.66	6.38	5.48	5.55
<b>MISCELLANEOUS DATA -</b>					
Credit Sales:					
Average per firm .....	\$ 149,153	456,049	1,775,386	6,953,383	1,430,279
Percent of total sales ... %	92.69	97.48	96.26	97.40	96.86
Accounts Outstanding:					
Average per firm .....	\$ 15,721	52,309	160,672	832,320	156,902
Percent of credit sales .. %	10.54	11.47	9.05	11.97	10.97
Sales per 1,000 sq. ft. floor space .....	\$ 80,055	48,653	54,222	36,375	43,237



Table 4. - OPERATING EXPENSES OF DRY GOODS WHOLESALEERS, 1947

Item	By size of firm				
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	Total All Sizes
(Items expressed as percentage of net sales.)					
Gross Profit .....	15.51	15.51	17.87	16.16	16.64
Operating Expenses:					
<u>Selling Expense:</u>					
Salaries .....	3.07	2.71	2.99	3.78	3.40
Travelling expenses .....	0.92	1.00	0.72	0.45	0.61
Advertising .....	0.06	0.10	0.25	0.28	0.24
Other selling expenses ...	0.12	0.07	0.08	0.18	0.14
Total selling expense .....	4.17	3.88	4.04	4.69	4.39
Warehouse and Delivery					
<u>Expense:</u>					
Salaries and wages .....	1.03	1.11	1.70	0.93	1.20
Maintenance of delivery equipment .....	0.18	0.17	0.11	0.07	0.10
Outward freight and con- tact delivery .....	0.19	0.20	0.11	0.14	0.13
Warehouse supplies .....	0.12	0.26	0.14	0.16	0.16
Other warehouse and delivery expenses .....	0.05	0.06	0.02	0.06	0.05
Total warehouse and delivery expense .....	1.57	1.80	2.08	1.36	1.64
General and Administrative					
<u>Expense:</u>					
Salaries .....	3.45	2.84	2.92	2.68	2.80
Employees' benefits .....	0.02	0.09	0.18	0.18	0.17
Occupancy .....	0.81	0.91	0.78	0.45	0.61
Light, heat, and power ...	0.12	0.15	0.11	0.09	0.10
Taxes (1) .....	0.12	0.08	0.07	0.07	0.07
Insurance (1) .....	0.22	0.23	0.11	0.08	0.11
Office supplies .....	0.21	0.23	0.13	0.18	0.17
Postage, telephone and telegraph .....	0.23	0.23	0.21	0.15	0.18
Cash discounts .....	0.17	0.33	0.75	0.92	0.78
Bad debts - amount allowed or written off .....	0.13	0.23	0.25	0.08	0.15
(Less) Amount recovered ..	0.02	0.03	0.03	0.03	0.03
Net bad debt loss .....	0.11	0.20	0.22	0.05	0.12
All other expenses .....	1.23	1.52	0.93	0.92	0.99
Total general and administra- tive expense .....	6.69	6.81	6.41	5.77	6.10
Total Operating Expenses .....	12.43	12.49	12.53	11.82	12.13
Net Operating Profit .....	3.08	3.02	5.34	4.34	4.51

(1) Excludes amount attributed to real estate which is included in occupancy.

## PIECE GOODS.....

Sixty-four wholesalers of piece goods submitted reports which could be used in this survey. For purpose of tabulation these were divided into four sales-size ranges for which a certain amount of description is given in the following table.

### GENERAL INFORMATION ON REPORTING FIRMS

Item	Annual Net Sales				
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	All Sizes
Number of firms .....	20	23	13	8	64
Incorporated companies .	7	14	11	6	38
Single establishments ..	20	23	11	8	62
Sales distribution to:					
Retail stores ..... %	43.7	43.0	42.2	31.5	38.3
Wholesalers and					
Industry ..... %	54.8	56.1	56.8	68.5	61.1
Others ..... %	1.5	0.9	1.0	-	0.6

The main features of the operations of piece goods wholesalers in 1947 are shown in table 5 while more detail on the profit and loss statement is shown in table 6. Operating expenses of firms selling principally to the retail trade are compared to those whose major sales were made to large users (mainly industry) in table 7. Tabulation for income tax and final net profit for incorporated companies is shown in table 8. Sufficient firms specializing in woollen piece goods permitted separate tabulation of their results.

Summary points in the operations of piece goods wholesalers are given below.

1. No significant trend in gross profit was evidenced over the four size classes of piece goods wholesalers in 1947. Net profit in the largest size class was much greater in ratio than in the other classes. From an average gross profit of \$18.40 on every \$100 sales, expenses of \$10.91 were paid out to leave a net operating profit of \$7.49. To this trading profit other trading income of \$ .71 gave a profit before income tax deduction of \$8.20. Table 5.

2. Total operating expenses formed 10.91 per cent of net sales of which selling expenses were 3.93 per cent, warehouse and delivery 1.58 and general and administrative expense 5.40 per cent. There was a general trend toward decreased expense ratios for these major functions in the larger sized firms. The average total expense ratio ranged from 14.92 per cent in the smallest to 9.27 per cent in the largest size class. Table 5.
3. The largest single item of expense was selling salaries at 2.96 per cent of net sales. Administrative salaries were almost as high at 2.62 per cent with warehouse salaries forming 1.15 per cent. Total salaries accounted for 6.73 per cent of net sales or approximately 62 per cent of all expenses. Table 6.
4. Firms whose sales were 50 per cent or more to the retail trade incurred greater selling and warehouse and delivery expense than those whose sales were more than 50 per cent to large users (other wholesalers, industry, institutions, etc.). All sizes registered this increase, reflecting the selling and handling in smaller quantities required in dealing with the retail trade. Table 7.
5. Incorporated firms registered a net profit of 7.17 per cent of sales to which is added other trading income of 0.72 per cent as compared to the "all firm" average of 7.49 per cent profit and 0.71 per cent other trading income. From this profit of 7.89 per cent, 3.52 per cent was deducted as income tax to leave a final net profit of 4.37 per cent of net sales. Table 8.
6. Wholesalers of woollen piece goods obtained greater gross and net profits and operated on a smaller ratio of expenses than did "all piece goods" wholesalers. The lesser expenses may be partly attributed to their sales distribution - 21 per cent to retailers and 79 per cent to industry and other large users, as compared to the average of 38 and 61 per cent respectively. The difference in profits between wholesalers specializing in woollen piece goods and wholesalers of all kinds of piece goods was greatest in the largest size class. In this size group the former realized a total net profit before income tax deduction of 14.47 per cent of net sales as compared to 10.68 per cent for the latter. Table 9.



Table 5. - OPERATING RESULTS OF PIECE GOODS WHOLESALERS, 1947

## By Size of Firm

Item	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	Total All Sizes
Number of firms reporting .....	20	23	13	8	64
Average net sales per firm ..... \$	130,147	334,629	720,171	1,619,330	509,629
Average cost of goods sold ..... \$	102,891	274,363	600,325	1,305,444	415,874
Stock turnover (times per year) ...	5.1	4.9	5.5	4.7	5.0
Average beginning inventory ..... \$	17,715	51,137	90,318	302,928	80,116
Percent of net sales .....	13.61	15.27	12.54	18.71	15.72
Average ending inventory ..... \$	22,772	62,015	128,718	256,015	87,550
Percent of net sales .....	17.50	18.53	17.87	15.81	17.18
<b>PROFIT AND LOSS DATA -</b>					
(Percent of net sales)					
Gross margin or profit .....	20.94	18.01	16.64	19.38	18.40
Operating Expenses:					
Selling .....	4.86	4.27	3.36	3.96	3.93
Warehouse and delivery .....	2.07	1.92	1.36	1.45	1.58
General and administrative .....	7.99	6.05	6.25	3.86	5.40
Total operating expenses .....	14.92	12.24	10.97	9.27	10.91
Net Operating profit: .....	6.02	5.77	5.67	10.11	7.49
Other trading income .....	0.95	0.85	0.71	0.57	0.71
Total net profit before income tax deduction .....	6.97	6.62	6.38	10.68	8.20
<b>MISCELLANEOUS DATA -</b>					
Credit Sales:					
Average per firm ..... \$	114,594	316,827	712,681	1,597,793	492,913
Percent of total sales ..... %	88.05	94.68	98.96	98.67	96.72
Accounts Outstanding:					
Average per firm ..... \$	7,930	25,283	65,709	81,168	37,856
Percent of credit sales ..... %	6.92	7.98	9.22	5.08	7.68
Sales per 1,000 sq. ft. floor space .....	107,873	167,244	85,506	137,594	121,370

Table 6. - OPERATING EXPENSES OF PIECE GOODS WHOLESALERS, 1947

By Size of Firm

Item	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	Total All Sizes
, (Items expressed as percentage of net sales)					
Gross Profit .....	20.94	18.01	16.64	19.38	18.40
Operating Expenses:					
Selling Expense:					
Salaries .....	3.48	3.00	2.55	3.13	2.96
Travelling .....	0.82	0.86	0.58	0.63	0.68
Advertising .....	0.16	0.16	0.02	0.07	0.09
Other selling expenses .....	0.40	0.25	0.21	0.13	0.20
Total selling expense .....	4.86	4.27	3.36	3.96	3.93
Warehouse and Delivery Expense:					
Salaries and wages .....	1.48	1.28	0.97	1.14	1.15
Maintenance of delivery equipment .....	0.18	0.09	0.06	0.06	0.08
Outward freight and contract delivery .....	0.30	0.19	0.21	0.13	0.18
Warehouse supplies .....	0.05	0.23	0.09	0.08	0.12
Other warehouse and delivery expenses .....	0.06	0.13	0.03	0.04	0.05
Total warehouse and delivery expense .....	2.07	1.92	1.36	1.45	1.58
General and Administrative Expense:					
Salaries .....	4.45	3.11	3.12	1.59	2.62
Employees' benefits .....	0.04	0.03	0.08	0.17	0.10
Occupancy .....	0.87	0.57	0.54	0.30	0.48
Light, heat, and power .....	0.05	0.05	0.07	0.08	0.07
Taxes (1) .....	0.09	0.07	0.08	0.09	0.08
Insurance (1) .....	0.23	0.20	0.16	0.14	0.17
Office supplies .....	0.23	0.18	0.13	0.17	0.16
Postage, telephone and telegraph .....	0.26	0.21	0.17	0.10	0.16
Cash discounts .....	0.43	0.25	0.66	0.50	0.48
Bad debts - amount allowed or written off .....	0.29	0.10	0.09	0.12	0.12
(Less) Amount recovered .....	0.04	-	(a)	(a)	(a)
Net bad debt loss .....	0.25	0.10	0.09	0.12	0.12
All other expenses .....	1.09	1.28	1.15	0.60	0.96
Total general and administrative expense .....	7.99	6.05	6.25	3.86	5.40
Total Operating Expenses .....	14.92	12.24	10.97	9.27	10.91
Net Operating Profit .....	6.02	5.77	5.67	10.11	7.49

(1) Excludes amount attributed to real estate which is included in occupancy.

(a) Less than 0.005 per cent.

Table 7. - PIECE GOODS WHOLESALERS - EXPENSES OF FIRMS SELLING TO RETAIL TRADE -  
COMPARED WITH FIRMS SELLING TO LARGE USERS - 1947

Size and sales distribution	Selling Expenses	Warehouse Expenses	General and Administrative Expenses	Total Operating Expenses
(Items expressed as percentage of net sales)				
Under \$200,000				
50% and over sales to stores .....	5.16	2.12	7.61	14.89
Over 50% sales to large users .....	4.63	2.04	8.29	14.96
Average, all firms .....	4.86	2.07	7.99	14.92
\$200,000 - \$499,999				
50% and over sales to stores .....	4.73	2.93	5.87	13.53
Over 50% sales to large users .....	4.00	1.33	6.16	11.49
Average, all firms .....	4.27	1.92	6.05	12.24
\$500,000 - \$999,999				
50% and over sales to stores .....	3.63	1.80	6.79	12.22
Over 50% sales to large users .....	3.08	0.90	5.68	9.66
Average, all firms .....	3.36	1.36	6.25	10.97
\$1,000,000 and over				
50% and over sales to stores .....	4.99	3.33	3.84	12.16
Over 50% sales to large users .....	3.65	0.88	3.87	8.40
Average, all firms .....	3.96	1.45	3.86	9.27
All Sizes				
50% and over sales to stores .....	4.39	2.49	5.89	12.77
Over 50% sales to large users .....	3.68	1.07	5.11	9.86
Average, all firms .....	3.93	1.53	5.40	10.91

Table 8. - PIECE GOODS WHOLESALERS - EXPENSES AND PROFITS OF INCORPORATED FIRMS-1947

By Size of Firm

(Items shown as percentage of net sales)

Volume of Annual Sales	Gross Profit	Total Operating Expenses	Net Operating Profit	Other Trading Income	Income Tax	Final Net Profit
Under \$200,000 .....	22.36	17.63	4.73	1.18	2.31	3.60
\$200,000 - \$499,999 ....	18.09	12.75	5.34	0.95	2.22	4.07
\$500,000 - \$999,999 ....	17.21	10.98	6.23	0.73	3.16	3.80
\$1,000,000 and over ....	18.68	9.47	9.21	0.56	4.65	5.12
All sizes .....	18.15	10.98	7.17	0.72	3.52	4.37



Table 9. - WHOLESALERS OF WOOLLEN PIECE GOODS - MAIN EXPENSES AND PROFITS, 1947.

## By size of firm

Item	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	All Sizes
(Items expressed as percentage of net sales)				
Number of firms .....	8	11	5	24
Average net sales per firm .....\$	120,780	323,145	892,340	374,268
Sales distribution to:				
Retail stores .....	49.6	30.3	8.0	21.3
Industry and other large users .	50.4	69.7	92.0	78.7
Gross profit .....	19.41	18.21	22.06	20.24
Operating Expenses:				
Selling expense .....	3.19	3.90	2.28	3.02
Warehouse and delivery .....	1.46	1.30	0.59	0.96
General and administrative .....	7.22	6.02	5.42	5.85
Total operating expenses .....	11.87	11.22	8.29	9.83
Net operating profit .....	7.54	6.99	13.76	10.41
Other trading income .....	0.65	0.75	0.71	0.72
Total net profit before income taxes .....	8.19	7.74	14.47	11.13

## FOOTWEAR.....

Operating ratios were based on adequate reports from twenty-one wholesalers of shoes and other footwear. These firms were divided into three sales-size ranges; under \$200,000 annual net sales, \$200,000 to \$499,999, and \$500,000 and over. Footwear was sold exclusively by the reporting firms and 16 of the 21 sold entirely to the retail trade. The other five sold mainly to retailers with a small percentage going to other wholesalers or industrial users. All firms were single establishments (no branches). The smallest size group included 3 corporations, the middle class 4, and the five firms with sales of over \$500,000 were all incorporated.

Some of the main features of footwear wholesalers' operations in 1947 are:

1. Gross profits as a percentage of net sales decreased with sales volume from 14.56 per cent in the smallest class to 11.63 per cent in the largest. Net profit was lowest in the smallest class (1.0 per cent) with the largest firms at 2.53 per cent and the middle size class 3.39 per cent. (Table 11).
2. Inventories were greater at the end of the year than at the beginning in all sizes and the rate of stock turnover, based on the average of the beginning and year end inventories, increased with size of business from 4.1 to 5.1 times per year.
3. Salaries paid to salesmen were highest in the largest size class while warehouse and administrative salaries decreased in ratio with sales volume. Out of every \$100 sales, \$6.58 were absorbed by salaries and wages. Out of every \$100 expense money, \$65 went to salaries and wages. (Table 12).
4. The final net profit of incorporated firms (income tax deducted) is shown below for two size ranges.

Table 10. - PROFITS AND EXPENSES OF INCORPORATED FOOTWEAR WHOLESALERS, 1947

(Items shown as per cent of net sales)		
Item	Under \$500,000	\$500,000 and over
Gross profit .....	15.21	11.63
Total expenses .....	11.52	9.10
Operating profit .....	3.69	2.53
Other trading income .....	0.15	0.74
Income tax .....	1.33	1.45
Net profit .....	2.51	1.82

Table 11. - OPERATING RESULTS OF FOOTWEAR WHOLESALERS, 1947

By Size of Firm				
Item	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	Total All Sizes
Number of firms reporting .....	8	8	5	21
Average net sales per firm ..... \$	145,739	332,136	1,382,557	511,228
Average cost of goods sold ..... \$	124,520	284,257	1,221,751	446,617
Stock turnover (times per year) .....	4.1	4.5	5.1	4.8
Average beginning inventory ..... \$	28,121	59,774	191,399	79,055
Percent of net sales .....	19.30	18.00	13.84	15.46
Average ending inventory ..... \$	33,315	66,649	289,110	106,917
Percent of net sales .....	22.86	20.07	20.91	20.91
<u>PROFIT AND LOSS DATA -</u> (Percent of net sales)				
Gross margin or profit .....	14.56	14.42	11.63	12.64
Operating expenses:				
Selling .....	3.83	4.44	3.78	3.95
Warehouse and delivery .....	1.84	1.69	1.47	1.56
General and administrative .....	7.89	4.90	3.85	4.55
Total Operating Expenses .....	13.56	11.03	9.10	10.06
Net Operating Profit.....	1.00	3.39	2.53	2.58
Other trading income .....	0.07	0.05	0.74	0.50
Total net profit before income tax deductions .....	1.07	3.44	3.27	3.08
<u>MISCELLANEOUS DATA -</u>				
Credit Sales:				
Average per firm ..... \$	142,824	318,850	1,368,731	501,003
Percent of total sales ..... %	98.00	96.00	99.00	98.00
Accounts Outstanding:				
Average per firm ..... \$	13,283	26,464	128,661	45,591
Percent of credit sales ..... %	9.30	8.30	9.40	9.10
Sales per 1,000 sq. ft. floor space .....	67,113	85,712	73,897	76,460



Table 12. - OPERATING EXPENSES OF FOOTWEAR WHOLESALERS, 1947

## By Size of Firm

	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	Total All Sizes
(Items expressed as percentage of net sales)				
Gross Profit .....	14.56	14.42	11.63	12.64
Operating Expenses:				
Selling expense:				
Salaries .....	2.17	3.33	3.36	3.22
Travelling .....	1.10	0.83	0.24	0.48
Advertising .....	0.37	0.12	0.14	0.16
Other selling expenses .....	0.19	0.16	0.04	0.09
Total selling expense .....	3.83	4.44	3.78	3.95
Warehouse and Delivery Expense:				
Salaries and wages .....	1.56	1.29	0.93	1.08
Maintenance of delivery equip- ment .....	0.07	0.09	0.03	0.05
Outward freight and contract delivery .....	0.14	0.18	0.39	0.31
Warehouse supplies .....	0.05	0.08	0.04	0.05
Other warehouse and delivery expense .....	0.02	0.05	0.08	0.07
Total warehouse and delivery expense .....	1.84	1.69	1.47	1.56
General and Administrative Expense:				
Salaries .....	3.97	2.16	2.04	2.28
Employees' benefits .....	0.02	0.02	0.03	0.03
Occupancy .....	0.65	0.55	0.41	0.47
Light, heat, and power .....	0.09	0.06	0.06	0.07
Taxes (1) .....	0.10	0.10	0.03	0.06
Insurance (1) .....	0.29	0.19	0.10	0.14
Office supplies .....	0.22	0.17	0.11	0.13
Postage, telephone and tele- graph .....	0.31	0.29	0.18	0.22
Cash discounts .....	0.04	0.12	0.08	0.08
Bad debts - amount allowed or written off .....	0.18	0.22	0.18	0.19
(Less) Amount recovered .....	0.03	0.06	0.11	0.09
Net bad debt loss .....	0.15	0.16	0.07	0.10
All other expenses .....	2.05	1.08	0.74	0.97
Total general and administrative expense .....	7.89	4.90	3.85	4.55
Total Operating Expenses .....	13.56	11.03	9.10	10.06
Net Operating Profit .....	1.00	3.39	2.53	2.58

(1) Excludes amount attributed to real estate which is included in occupancy.



GOVERNMENT OF CANADA

OPERATING RESULTS  
OF  
DRY GOODS, PIECE GOODS  
AND FOOTWEAR WHOLESALERS  
1949







OPERATING RESULTS OF DRY GOODS, PIECE GOODS  
AND FOOTWEAR WHOLESALERS  
1949

Published by Authority of the Rt. Hon. C.D. Howe  
*Minister of Trade and Commerce*

Prepared in the Merchandising and Services Section,  
Industry and Merchandising Division,  
Dominion Bureau of Statistics, Ottawa

## **NOTICE**

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada – mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

### **Part I – Wholesale Statistics**

- A. General Review
- B. Wholesale Trade
- C. Operating Results of Food Wholesalers
- D. Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers
- E. Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment)

### **Part II – Retail Statistics**

- F. General Review
- G. Retail Trade
- H. Department Store Sales and Stocks
- I. Retail Chain Stores
- J. Operating Results of Food Store Chains
- K. Operating Results of Clothing Store Chains
- L. Operating Results of Miscellaneous Chain Stores (variety, drug, furniture)

### **Part III – Services and Special Fields**

- M. Laundries, Cleaners and Dyers
- N. Theatres
- P. Advertising Agencies (Memorandum)
- Q. Sales Financing
- R. Farm Implement and Equipment Sales
- AA. New Motor Vehicle Sales and Motor Vehicle Financing

The reports are punched to permit of filing in a ring binder.

## CONTENTS

	Pages
INTRODUCTION.....	D-5
SUMMARY BY TRADES.....	D-7
REVIEW OF RESULTS, TABLES, AND CHARTS:	
Dry Goods Wholesalers.....	D-7 — 12
Piece Goods Wholesalers.....	D-13 — 17
Footwear Wholesalers.....	D-18 — 20

## OPERATING RESULTS—LIST OF REPORTS

### WHOLESALE TRADE (1947 and 1949)

1. Food Wholesalers
2. Dry Goods, Piece Goods and Footwear Wholesalers
3. Miscellaneous Wholesalers (Automotive Parts and Accessories, Drugs, Hardware, Plumbing and Heating Supplies)

### INDEPENDENT RETAIL STORES (1944, 1945, 1946 and 1948)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. Miscellaneous Stores (Country General, Restaurants, Fuel, Drugs, Jewellery, and Tobacco Stores)

### RETAIL CHAIN STORES (1947 and 1949)

1. Food Store Chains
2. Clothing Store Chains
3. Miscellaneous Chain Stores (Variety, Furniture, Drugs)





## INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

### Scope

This study is confined to **wholesalers proper**, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributor are **not** included. Three separate trades are covered—dry goods, piece goods, and footwear wholesalers.

### Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size ranges. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared. Reports from Newfoundland wholesalers are not included in this survey. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only.

### Purpose

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operation against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

### Period Covered

This report deals largely with 1949 operations and is the second biennial publication in a series begun in 1947. Certain summary tables show comparative results for both years.

### New Feature

Middle range figures for gross and net profits, and for the three main functional divisions of expense, have been introduced as a new feature. Results for one-half of all firms fell within the range shown for each item, while one-quarter of the firms fell on either side of the range limits indicated. Because each item was treated singly, the sum of net profit and the expense items does not necessarily equal gross profit in those tables showing middle range data.



## SUMMARY OF 1949 RESULTS BY TRADES

In summary form the following table shows comparative results for the three wholesale trades covered in this report. In analysing the performance of an individual wholesale firm, reference should be

made to the more detailed tables appearing in the later sections of this report. In these tables variations arising from differences in sales-size and geographical location are revealed.

### Comparison of Operating Results by Trades, 1949

Item	Dry goods	Piece goods	Footwear
Number of firms .....	62	76	29
Average sales per firm..... \$	1, 473, 476	494, 384	437, 464
Stock turnover (times per year).....	5.0	4.3	4.5
(Percent of Net Sales)			
Gross profit .....	15.73	15.93	12.78
Operating expenses:			
Selling.....	4.40	4.11	3.83
Warehouse and delivery .....	2.18	1.86	1.86
Administrative and general.....	6.81	6.67	5.61
Total operating expenses.....	13.39	12.64	11.30
Net operating profit .....	2.34	3.29	1.48
Other trading income.....	0.92	0.86	0.19
Total net profit before income tax deduction .....	3.26	4.15	1.67
Credit sales.....	96.40	92.76	98.49
Sales to retail stores .....	94.09	35.78	98.04

Average sales of dry goods firms were much higher than for the other two trades. Stock turnover was fairly uniform for the three trades with dry goods wholesalers selling and replacing their stock 5.0 times during the year, footwear 4.5 times and piece goods wholesalers 4.3 times. Gross profit and net profit were highest in the piece goods trade and lowest in footwear. Operating expenses were highest

in the dry goods trade, and in all three kinds of business administrative and general expenses formed approximately half of the total. Credit sales accounted for over 90% of total sales in all trades with footwear the highest at 98.49%. Piece goods wholesalers sold the major part of their merchandise to large industrial users, and the other two trades sold mainly to retail stores.

# DRY GOODS

Some general information on the 62 reporting firms whose results were used in the preparation of statistics is given below. Most of the reporting firms were incorporated companies and 55 of the 62 operat-

ed only one establishment. The 7 multiple firms carried on business through 27 outlets. Sales to retailers formed 94% of total sales with the ratio increasing from the smallest to the largest size group.

## Description of Reporting Firms

Item	Firms with 1949 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms.....	20	18	17	7	62
Form of organization:					
Individual proprietorship .....	4	—	—	—	4
Partnership .....	6	3	—	—	9
Incorporated company .....	10	15	17	7	49
Number of establishments operated:					
By single-establishment firms .....	20	16	14	5	55
By multiple-establishment firms .....	—	5	12	10	27
Distribution of sales:					
To retailers..... %	89.86	93.58	93.60	94.77	94.09
To other wholesalers & large users .....	8.31	6.42	5.59	4.41	5.14
To others..... %	1.83	—	0.81	0.82	0.77

## REVIEW OF 1949 OPERATING RESULTS

### Profit and Loss Ratios

Dry goods wholesalers obtained an average gross profit of 15.73% of net sales in 1949. Total operating expenses amounted to 13.39% leaving an operating profit of 2.34% of sales. Other income raised this to a total net profit (before income tax deduction) of

3.26% of net sales. Administrative and general expenses were 6.81% of sales, selling expenses were 4.40% of sales and warehouse and delivery expenses 2.18% of net sales. Thirteen of the 62 firms reported losses on 1949 operations.

### Inventories and Stock Turnover

Inventories at the end of 1949 increased to 17.17% of sales from 16.55% at the beginning. Stock

was sold and replaced 5 times during the year with a more rapid turnover rate in the larger firms.

### Credit Sales and Receivables

Dry goods wholesalers transacted 96.40% of their business on credit in 1949. Larger firms extended slightly more credit than the smaller businesses

with the percentages ranging from 93% to 97%. Accounts outstanding at the end of the year amounted to 12% of credit sales made during the year.

### Regional Results

Dry goods wholesalers in the western provinces obtained the highest gross profits, but operating expenses absorbed a greater proportion of their sales. Ontario firms operated on the lowest gross

profit—14.05% of sales—but had the smallest ratio of expenses. Wholesalers in the eastern part of Canada had the highest net profits at 3.04% and British Columbia firms the lowest at 1.18% of net sales.



## Range Figures, 1949

Middle range figures show the limits within which the ratios of the middle half of the firms fell when the percentages of the individual firms were arrayed in order of magnitude. It was impossible to show the middle range for the size group with sales of \$3,000,000 or over because of the small number of

reporting firms. Average ratios for the respective size groups are shown along with the middle 50% range. Gross profits for the middle half of the firms were between 13.7% and 17.9% of net sales and net profits fell within the range of 0.5% to 3.2%.

TABLE 1. Operating Results of Dry Goods Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms.....	20	18	17	7	62
Average net sales per firm..... \$	145,132	518,436	1,852,336	6,804,474	1,473,476
Average cost of goods sold..... \$	123,663	435,061	1,548,387	5,764,524	1,241,590
Stock turnover (times per year).....	3.9	4.3	4.6	5.6	5.0
Average beginning inventory..... \$	33,792	98,889	324,956	1,019,257	243,789
Percent of sales.....	23.28	19.07	17.54	14.98	16.55
Average ending inventory..... \$	29,803	105,690	343,830	1,049,531	253,070
Percent of sales.....	20.54	20.38	18.56	15.42	17.17
<b>PROFIT AND LOSS DATA</b>					
(Percent of net sales)					
Gross profit.....	14.79	16.08	16.41	15.28	15.73
Operating expenses:					
Selling expense:					
Salaries.....	2.81	3.77	2.62	3.28	3.09
Travelling.....	1.11	0.89	1.00	0.62	0.80
Advertising.....	0.12	0.17	0.31	0.43	0.35
Other selling expense.....	0.11	0.16	0.15	0.17	0.16
<b>Total selling expense.....</b>	<b>4.15</b>	<b>4.99</b>	<b>4.08</b>	<b>4.50</b>	<b>4.40</b>
Warehouse and delivery expense:					
Salaries and wages.....	1.88	1.44	2.03	1.46	1.67
Maintenance of delivery equipment.....	0.16	0.12	0.07	0.05	0.07
Outward freight, contract hauling.....	0.37	0.15	0.20	0.24	0.22
Warehouse supplies.....	0.13	0.16	0.13	0.13	0.13
Other warehouse and delivery expense.....	0.04	0.06	0.16	0.06	0.09
<b>Total warehouse and delivery expense.....</b>	<b>2.58</b>	<b>1.93</b>	<b>2.59</b>	<b>1.94</b>	<b>2.18</b>
Administrative and general expense:					
Salaries.....	3.62	3.45	3.48	3.23	3.35
Employees' benefits.....	0.02	0.12	0.23	0.25	0.22
Occupancy.....	1.20	1.10	0.84	0.49	0.69
Light, heat, and power.....	0.17	0.15	0.11	0.07	0.10
Taxes <sup>1</sup> .....	0.07	0.07	0.08	0.09	0.08
Insurance.....	0.32	0.20	0.11	0.11	0.12
Office supplies.....	0.20	0.22	0.15	0.16	0.17
Postage, telegraph, telephone.....	0.25	0.25	0.22	0.18	0.20
Cash discounts allowed.....	0.25	0.53	0.76	0.69	0.68
Bad debts — amount written off.....	0.25	0.29	0.37	0.09	0.21
(Less) Amount recovered.....	0.01	0.09	0.20	0.01	0.08
Net bad debt loss.....	0.24	0.20	0.17	0.08	0.13
All other expenses.....	1.11	1.11	0.83	1.20	1.07
<b>Total administrative and general expense</b>	<b>7.45</b>	<b>7.40</b>	<b>6.98</b>	<b>6.55</b>	<b>6.81</b>
<b>Total operating expenses.....</b>	<b>14.18</b>	<b>14.32</b>	<b>13.65</b>	<b>12.99</b>	<b>13.39</b>
Net operating profit.....	0.61	1.76	2.76	2.29	2.34
Other trading income.....	0.59	0.66	0.75	1.10	0.92
<b>Total net profit before income tax deduction</b>	<b>1.20</b>	<b>2.42</b>	<b>3.51</b>	<b>3.39</b>	<b>3.26</b>

1. Excludes amount attributed to real estate which is in occupancy expense.

TABLE 1. Operating Results of Dry Goods Wholesalers, by Size of Firm, 1949 — Concluded

Item	Firms with 1949 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
MISCELLANEOUS DATA					
Credit sales:					
Average per firm .....	\$ 134,915	483,545	1,794,173	6,618,031	1,420,431
Percent of total sales.....	92.96	93.27	96.86	97.26	96.40
Accounts outstanding:					
Average per firm .....	\$ 16,162	73,596	195,027	793,502	171,162
Percent of credit sales.....	11.98	15.22	10.87	11.99	12.05
Sales per 1,000 sq. ft. of floor space.....	\$ 65,301	41,039	48,559	74,778	58,905

TABLE 2. Operating Results of Dry Goods Wholesalers, by Regions, 1949

Item	Maritimes and Quebec	Ontario	Prairies	British Columbia	Canada
Number of firms .....	15	21	18	8	62
Average sales per firm .....	\$ 2,176,790	1,266,126	1,397,229	870,611	1,473,476
<b>PROFIT AND LOSS DATA</b> (Percent of net sales)					
Gross profit .....	15.98	14.05	16.68	17.62	15.73
Operating expenses:					
Selling .....	3.78	4.89	4.71	4.26	4.40
Warehouse and delivery .....	1.83	2.17	2.40	3.07	2.18
Administrative and general .....	7.33	5.33	7.08	9.11	6.31
<b>Total operating expense .....</b>	<b>12.94</b>	<b>12.39</b>	<b>14.19</b>	<b>16.44</b>	<b>13.39</b>
Net operating profit before other income or deduction of income tax .....	3.04	1.66	2.49	1.18	2.34

TABLE 3. Range Figures for Main Operating Results Items, 1949

Item	Firms with 1949 sales of						Total all sizes	
	Under \$250,000		\$250,000 to \$999,999		\$1,000,000 to \$2,999,999			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
Gross profit.....	14.8	14.1— 16.6	16.1	13.6—18.4	16.4	13.7—19.0	15.7	13.7—17.9
Selling expense.....	4.2	3.1— 5.7	5.0	4.4— 5.5	4.0	3.3— 5.0	4.4	3.2— 5.4
Warehouse and delivery expense....	2.6	1.8— 3.2	1.9	1.2— 2.3	2.6	1.4— 2.9	2.2	1.3— 2.9
Administrative and general expense	7.4	6.3— 8.0	7.4	4.7— 8.8	7.0	6.4— 8.3	6.8	5.6— 8.4
Net profit before other income or deduction of income tax.....	0.6	0.2(L)— 2.6	1.8	0.5— 3.3	2.8	1.5— 3.4	2.3	0.5— 3.2

(L) operating loss

## Incorporated Companies

Incorporated companies operated on gross and net profits almost identical with the "all types" average. Other income of 0.93% of net sales increased

operating profit to 3.31% before income tax deduction. Income tax amounting to 1.19% of sales reduced this profit to a final net profit of 2.12% of sales.

## Operating Results of Incorporated Dry Goods Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
	(Percent of net sales)				
Gross profit.....	14.56	16.51	16.41	15.28	15.78
Operating expenses.....	14.50	14.58	13.65	12.99	13.40
Net operating profit.....	0.06	1.93	2.76	2.29	2.38
Other trading income.....	0.82	0.60	0.75	1.10	0.93
<b>Total net profit before income tax deduction.....</b>	<b>0.88</b>	<b>2.53</b>	<b>3.51</b>	<b>3.39</b>	<b>3.31</b>
Income tax .....	0.26	0.78	1.28	1.23	1.19
Final net profit.....	0.62	1.75	2.23	2.16	2.12

## Comparison of 1947 and 1949 Results

A total of 53 firms reported to the 1947 survey and reports from 62 firms were used to compile 1949 results. Of the firms reporting, 37 submitted details

for both years. Results for the two years are shown below for all respondents and for the 37 identical firms.

## Operating Results of Dry Goods Wholesalers 1947 and 1949 Compared

Item	All respondents		Identical firms	
	1947	1949	1947	1949
Number of firms.....	53	62	37	37
Average sales per firm..... \$	1,476,646	1,473,476	1,860,783	1,768,342
(Percent of net sales)				
Gross profit.....	16.64	15.73	16.53	16.02
Operating expenses:				
Selling.....	4.39	4.40	4.24	4.77
Warehouse and delivery.....	1.64	2.18	1.65	2.27
Administrative and general.....	6.10	6.81	6.12	6.97
<b>Total operating expenses.....</b>	<b>12.13</b>	<b>13.39</b>	<b>12.01</b>	<b>14.01</b>
Net profit before other income or deduction of income tax.....	4.51	2.34	4.52	2.01

Gross profits were lower in 1949 than in 1947. This decrease, coupled with higher operating ex-

penses, resulted in a net profit of 2.34% of sales compared with 4.51% in 1947.

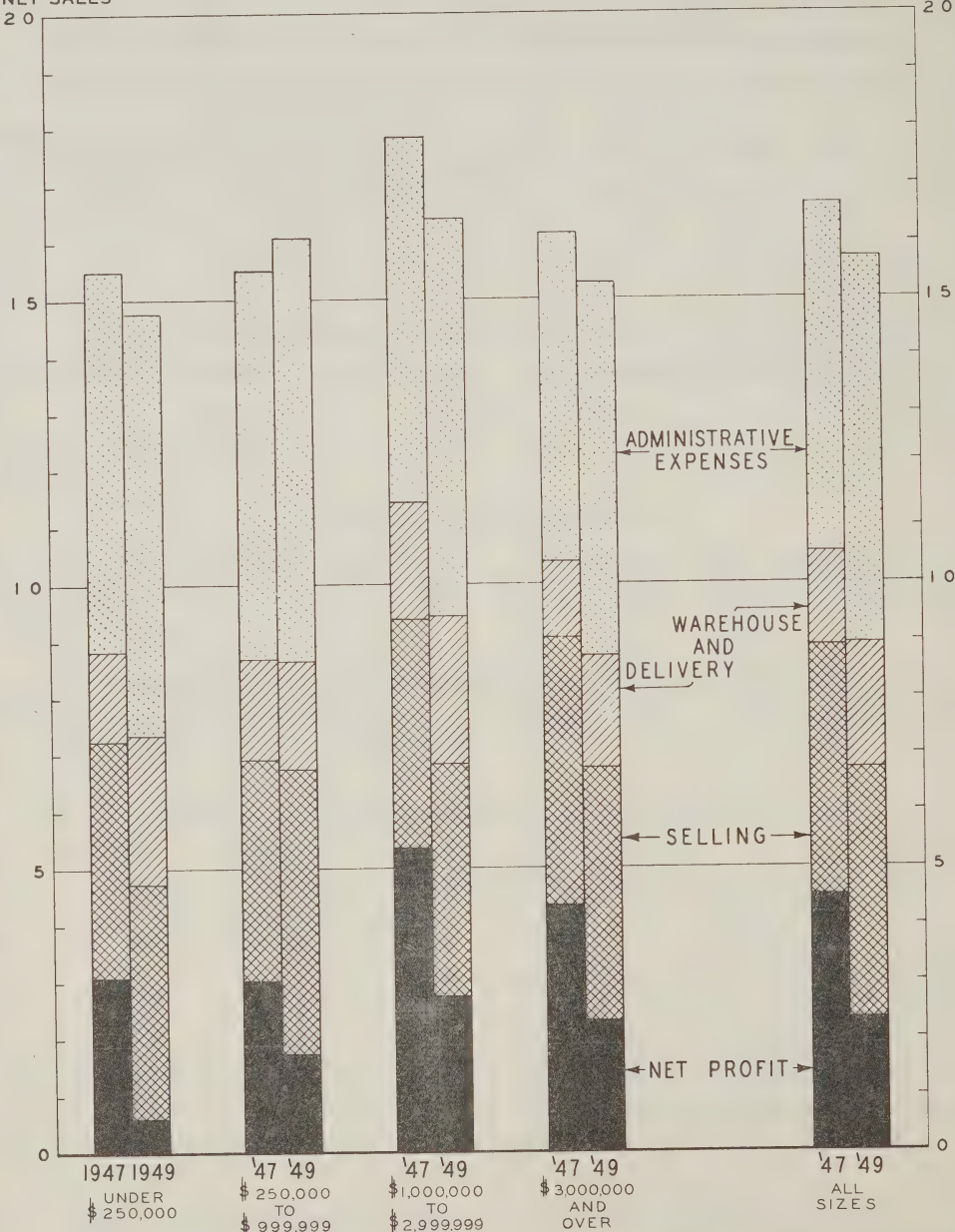
# OPERATING RESULTS OF DRY GOODS WHOLESALERS

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

% OF  
NET SALES  
20

1947 AND 1949

% OF  
NET SALES  
20





## PIECE GOODS

General descriptive information on the 76 piece goods wholesalers whose reports were used in this survey is shown below. All except three firms

operated single establishments and 66% of the firms were of the incorporated type of organization. The major portion of sales was made to industrial users.

## Description of Reporting Firms

Item	Firms with 1949 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms .....	20	26	19	11	76
Form of organization:					
Individual proprietorship .....	7	5	2	1	15
Partnership .....	1	7	2	1	11
Incorporated company .....	12	14	15	9	50
Number of establishments operated:					
By single establishment firms .....	20	26	17	10	73
By multiple establishment firms .....	—	—	6	2	8
Distribution of sales:					
To retailers .....	21.09	46.23	32.53	35.59	35.78
To other wholesalers and large users .....	78.91	52.93	67.01	64.41	63.90
To consumers at retail .....	—	0.84	0.46	—	0.32

## REVIEW OF 1949 OPERATING RESULTS

## Profit and Loss Ratios

In 1949 wholesalers of piece goods operated on an average gross profit of 15.93% of net sales. Administrative and general expenses were 6.67% of sales, selling expenses were 4.11%, and warehouse and delivery expenses formed 1.86% of net sales. Net profit before income tax deduction was 4.15% of

sales, comprised of 3.29% operating profit and 0.86% other income. Salaries and wages were the largest single expense item amounting to 7.47% of the sales, or 59% of total operating expenses. Fourteen of the 76 firms reported operating losses, most of which were in the under \$200,000 class.

## Inventories and Stock Turnover

Average inventories at the end of 1949 dropped to \$95,279 from \$98,067 at the first of the year. The rate of stock turnover—average inventories divided

into cost of goods sold—was 4.3 times during the year. There was little difference in the turnover rates of the various sales-size groups.

## Credit Sales and Receivables

Wholesalers of piece goods transacted 92.76% of their 1949 business on credit terms. Accounts out-

standing at the end of the year averaged \$17,197 or 3.75% of the year's credit sales.

## Results of Firms Selling to Retailers and Large Users Compared

The differences in the operations of firms selling to the retail trade and of those selling principally to industry are revealed in a comparison of their main profit and expense ratios. Greater selling expense and warehouse and delivery expense feature the operations of wholesalers selling to the retail trade—4.71% selling expense

compared to 3.83% for suppliers of large users including industry, and 2.58% warehouse expense compared to 1.53% of net sales. Firms selling to retailers operated on greater gross profits but increased expenses resulted in a net profit of 2.87% compared to a net profit of 3.49% for wholesalers selling to large users.

## Range Figures, 1949

Middle range figures for all size classes, and for combined sizes, show the limits within which the ratios of the middle half of the firms fell. With these middle range figures are shown average ratios for

the respective items as they appear in Table 4. Gross profit for half of the firms centered on the median were between 12.7% and 18.9% of net sales. Net profit ranged from 0.8% to 4.7% of sales.

TABLE 4. Operating Results of Piece Goods Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms.....	20	26	19	11	76
Average net sales per firm..... \$	132,512	299,537	640,510	1,360,499	494,384
Average cost of goods sold..... \$	111,623	246,956	543,893	1,145,503	415,627
Stock turnover (times per year).....	4.4	4.1	4.2	4.5	4.3
Average beginning inventory..... \$	26,471	61,375	136,158	249,174	98,067
Percent of sales.....	19.98	20.49	21.26	18.31	19.84
Average ending inventory..... \$	24,293	59,670	122,693	261,162	95,279
Percent of sales.....	18.33	19.92	19.15	19.19	19.27
PROFIT AND LOSS DATA (Percent of net sales)					
Gross profit.....	15.76	17.55	15.08	15.80	15.93
Operating expenses:					
Selling expense:					
Salaries.....	2.72	3.38	2.48	3.41	3.05
Travelling.....	0.69	0.79	0.57	0.59	0.63
Advertising.....	0.18	0.17	0.10	0.16	0.15
Other selling expense.....	0.42	0.27	0.33	0.23	0.28
Total selling expense.....	4.01	4.61	3.48	4.39	4.11
Warehouse and delivery expense:					
Salaries and wages.....	1.28	1.31	1.31	1.45	1.37
Maintenance of delivery equipment.....	0.24	0.25	0.13	0.10	0.15
Outward freight, contract hauling.....	0.19	0.22	0.17	0.18	0.18
Warehouse supplies.....	0.05	0.07	0.08	0.11	0.09
Other warehouse and delivery expense.....	0.04	0.06	0.12	0.05	0.07
Total warehouse and delivery expense.....	1.80	1.91	1.81	1.89	1.86
Administrative and general expense:					
Salaries.....	4.85	4.12	3.16	2.10	3.05
Employees' benefits.....	0.01	0.11	0.19	0.22	0.17
Occupancy.....	1.03	0.86	0.76	0.53	0.71
Light, heat, and power.....	0.09	0.09	0.07	0.07	0.07
Taxes.....	0.13	0.08	0.15	0.05	0.10
Insurance.....	0.22	0.17	0.19	0.32	0.24
Office supplies.....	0.22	0.22	0.14	0.16	0.17
Postage, telegraph, telephone.....	0.26	0.22	0.18	0.13	0.17
Cash discounts allowed.....	0.20	0.29	0.58	0.39	0.42
Bad debts—amount written off.....	0.69	0.30	0.59	0.37	0.45
(Less)—Amount recovered.....	0.12	0.02	0.07	0.04	0.05
Net bad debt loss.....	0.57	0.28	0.52	0.33	0.40
All other expenses.....	1.52	1.29	1.15	1.04	1.17
Total administrative and general expense...	9.10	7.73	7.09	5.34	6.67
Total operating expenses.....	14.91	14.25	12.38	11.62	12.64
Net operating profit.....	0.85	3.30	2.70	4.18	3.29
Other trading income.....	0.94	0.56	0.94	0.95	0.86
Total net profit before income tax deduction	1.79	3.86	3.64	5.13	4.15

1. Excludes amount attributed to real estate which is in occupancy expense.

TABLE 4. Operating Results of Piece Goods Wholesalers, by Size of Firm, 1949—Concluded

Item	Firms with 1949 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
MISCELLANEOUS DATA					
Credit sales:					
Average per firm..... \$	128, 258	253, 528	622, 576	1	458, 590
Percent of total sales.....	96. 79	84. 64	97. 20	1	92. 76
Accounts outstanding:					
Average per firm..... \$	3, 861	6, 338	24, 965	1	17, 197
Percent of credit sales.....	3. 01	2. 50	4. 01	1	3. 75
Sales per 1,000 sq. ft. of floor space..... \$	82, 657	106, 213	131, 280	107, 361	111, 945

1. Too few firms reported this information.

TABLE 5. Operating Results of Piece Goods Wholesalers, 1949  
Firms Selling to Retailers and to Large Users Compared

Item	Firms with 1949 sales of								Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over			
	50% and over to retailers	Over 50% to large users	50% and over to retailers	Over 50% to large users	50% and over to retailers	Over 50% to large users	50% and over to retailers	Over 50% to large users	50% and over to retailers	Over 50% to large users
	(Percent of net sales)									
Gross profit.....	12. 11	16. 60	18. 80	16. 30	16. 25	14. 52	15. 77	15. 81	16. 77	15. 54
Operating expenses :										
Selling .....	4. 00	4. 02	5. 40	3. 81	4. 24	3. 11	4. 60	4. 33	4. 71	3. 83
Warehouse and delivery ...	1. 84	1. 79	2. 23	1. 58	2. 54	1. 46	3. 11	1. 51	2. 58	1. 53
Administrative and general	6. 44	9. 70	8. 87	6. 60	6. 29	7. 48	4. 50	5. 60	6. 61	6. 69
Total operating expenses	12. 28	15. 51	16. 50	11. 99	13. 07	12. 05	12. 21	11. 44	13. 90	12. 05
Net profit before other income or deduction of income tax.....	(L) 0. 17	1. 09	2. 30	4. 31	3. 18	2. 47	3. 56	4. 37	2. 87	3. 49

(L) Operating loss.

TABLE 6. Range Figures for Main Operating Results Items, 1949

Item	Firms with 1949 sales of								Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	(Percent of net sales)									
Gross profit .....	15.8	12.1—16.9	17.5	14.6—22.6	15.1	12.0—17.6	15.8	14.9—17.3	15.9	12.7—18.9
Selling expense ...	4.0	3.1— 5.2	4.6	3.0— 6.3	3.5	2.5— 4.1	4.4	3.5— 4.6	4.1	2.7— 5.7
Warehouse and de- livery expense	1.8	1.3— 2.2	1.9	1.2— 2.6	1.8	0.9— 1.7	1.9	1.2— 1.7	1.8	1.1— 2.3
Administrative and general expense	9.1	6.3—11.6	7.7	6.2— 8.9	7.1	5.2— 8.7	5.3	4.8— 6.0	6.7	5.8— 9.3
Net profit.....	0.9	(L)1.0— 2.6	3.3	1.3— 5.1	2.7	1.9— 4.2	4.2	1.6— 6.2	3.3	0.8— 4.7

(L) Operating loss.

## Incorporated Companies

The average gross profit of incorporated firms was slightly higher than the "all-types" average while net profit was lower. Other income of 0.76% was added to a net operating profit of 3.25% to give

a net profit of 4.01% of sales before income tax deduction. Income tax payments amounting to 1.43%, reduced this to a final net profit of 2.58% of net sales.

## Comparison of 1947 and 1949 Results

In 1947, reports from 64 firms were used and, in 1949, 76 reports suitable for tabulation were received. Of these, 50 firms reported for both years. Results for all respondents for the two years and for the 50 identical firms are summarized below. The

outstanding feature of the 1947-1949 comparison was the decrease in net profit from 7.49% of sales in 1947 to 3.29% in 1949. Gross profits were lower and operating expenses higher in relation to sales volume.

## Operating Results of Incorporated Piece Goods Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
	(Percent of net sales)				
Gross profit .....	15.17	19.04	15.25	15.85	16.11
Operating expenses.....	15.38	15.81	12.91	11.41	12.87
Net operating profit.....	0.21 (L)	3.23	2.33	4.44	3.25
Other trading income.....	0.93	0.60	1.02	0.59	0.76
Net profit before income tax deduction.....	0.72	3.83	3.35	5.03	4.01
Income tax .....	0.50	1.19	1.06	1.93	1.43
Final net profit.....	0.22	2.64	2.29	3.10	2.58

(L) Operating loss.

## Operating Results of Piece Goods Wholesalers 1947 and 1949 Compared

Item	All Respondents		Identical Firms	
	1947	1949	1947	1949
Number of firms .....	64	76	50	50
Average sales per firm .....	\$509,629	\$494,384	\$568,238	\$556,641
(Percent of net sales)				
Gross profit.....	18.40	15.93	18.29	15.97
Operating expenses:				
Selling.....	3.93	4.11	3.92	4.31
Warehouse and delivery .....	1.58	1.86	1.54	1.97
Administrative and general.....	5.40	6.67	5.08	6.62
<b>Total operating expenses.....</b>	<b>10.91</b>	<b>12.64</b>	<b>10.54</b>	<b>12.90</b>
Net profit before other income or deduction of income tax .....	7.49	3.29	7.75	3.07



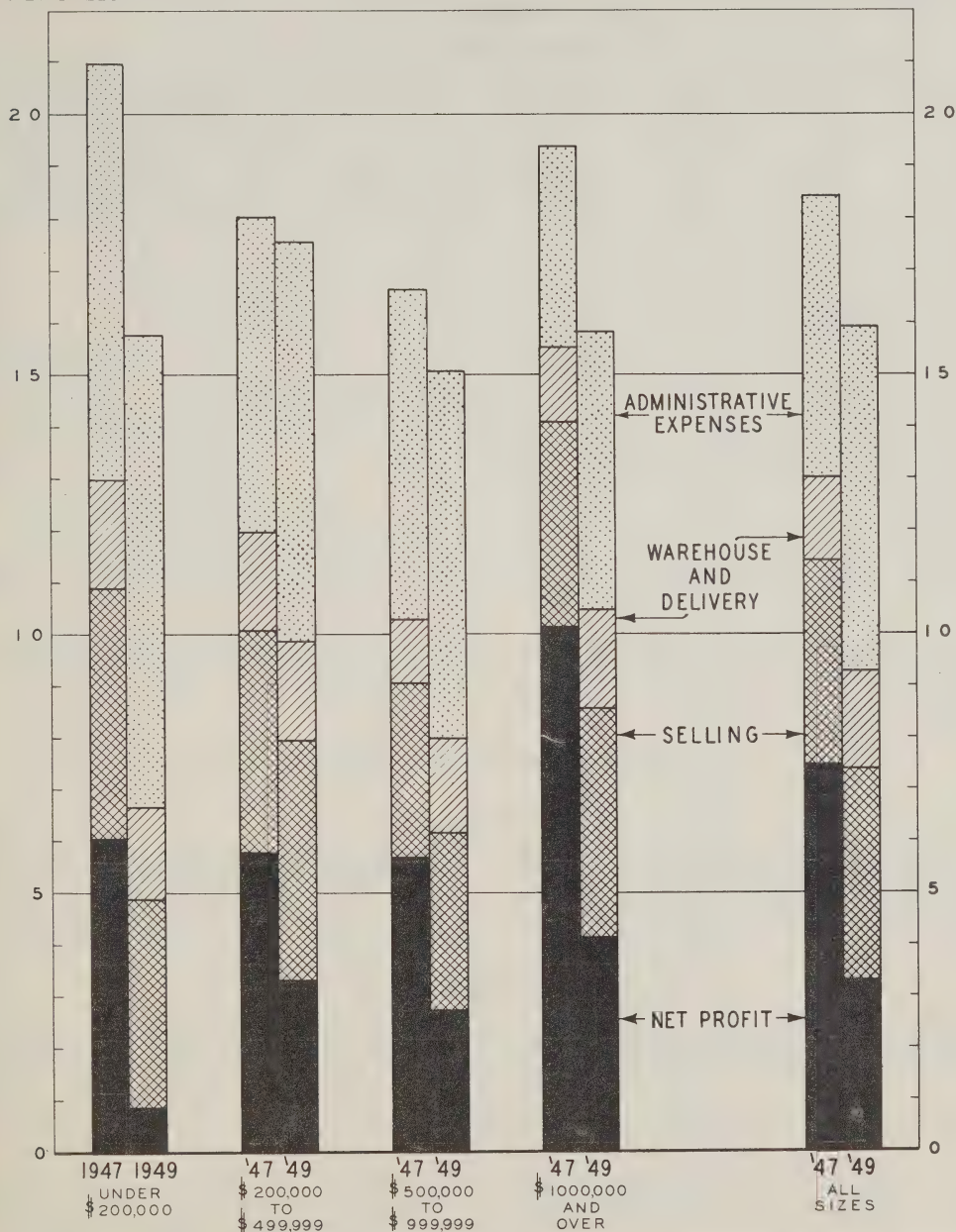
# OPERATING RESULTS OF PIECE GOODS WHOLESALERS

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

% OF  
NET SALES

1947 AND 1949

% OF  
NET SALES



## FOOTWEAR

Some general characteristics of the 29 footwear wholesalers whose figures were used in the preparation of the results presented in this report are de-

scribed below. There were too few firms in this classification to permit presentation of results by regions or to show middle range figures.

## Description of Reporting Firms

Item	Firms with 1949 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms .....	9	16	4	29
Form of organization:				
Individual proprietorship.....	3	3	—	6
Partnership .....	1	3	—	4
Incorporated company.....	5	10	4	19
Number of establishments operated:				
By single establishment firms.....	9	15	4	28
By multiple establishment firms .....	—	2	—	2
Distribution of sales:				
To retailers .....	98.86	97.23	98.56	98.04
To other wholesalers and large users .....	1.14	2.77	1.44	1.96

The majority of the reporting firms were incorporated companies and all except one operated only

one place of business. Sales to retailers accounted for 98% of total sales.

## REVIEW OF 1949 OPERATING RESULTS

## Profit and Expense Ratios

Footwear wholesalers obtained an average gross profit of 12.78% of net sales from their 1949 business operations. Administrative and general expenses were 5.61% of net sales, or approximately 50% of all expenses. Selling expenses formed 3.83% of net sales

and warehouse and delivery expenses were the smallest of the three main operating functions at 1.86% of net sales. Net operating profit of 1.48% was increased by other income to make a total net profit before income tax deduction of 1.67% of net sales.

## Inventories and Stock Turnover

Inventories at the end of 1949 increased to 19.76% of sales from 19.01% at the beginning of the year. The rate of stock turnover—cost of goods sold

divided by the average of beginning and year-end inventories—was 4.5 times during the year. A more rapid rate of turnover took place in the larger sizes.

## Credit Sales and Receivables

Almost all sales of footwear wholesalers were made on credit—98.49%. The larger size classes had a slightly greater percentage of credit sales than did

the smaller firms. For all sizes combined, accounts outstanding on the books of the respondents at the end of 1949 amounted to 11.61% of credit sales.

TABLE 7. Operating Results of Footwear Wholesalers, by Size of Firm, 1949

Item	Firms with 1949 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms .....	9	16	4	29
Average net sales per firm .....	\$ 145,809	328,489	1,529,585	437,464
Average cost of goods sold .....	\$ 125,740	282,312	1,354,261	381,576
Stock turnover (times per year) .....	3.5	4.3	5.0	4.5
Average beginning inventory .....	\$ 35,341	59,078	286,986	83,147
Percent of sales .....	24.24	17.98	18.76	19.01
Average ending inventory .....	\$ 37,468	70,506	260,083	86,401
Percent of sales .....	25.69	21.46	17.00	19.76
PROFIT AND LOSS DATA (Percent of net sales)				
Gross profit .....	13.76	14.06	11.46	12.78
Operating expenses:				
Selling expense:				
Salaries .....	2.26	3.03	2.36	2.63
Travelling .....	0.91	1.04	0.35	0.69
Advertising .....	0.15	0.18	0.37	0.27
Other selling expense .....	0.35	0.36	0.12	0.24
<b>Total selling expense .....</b>	<b>3.67</b>	<b>4.61</b>	<b>3.20</b>	<b>3.83</b>
Warehouse and delivery expense:				
Salaries and wages .....	1.62	1.66	1.15	1.41
Maintenance of delivery equipment .....	0.22	0.21	0.07	0.14
Outward freight, contract hauling .....	0.11	0.23	0.13	0.17
Warehouse supplies .....	0.16	0.11	0.04	0.08
Other warehouse and delivery expense .....	0.29	0.06	0.01	0.06
<b>Total warehouse and delivery expense .....</b>	<b>2.40</b>	<b>2.27</b>	<b>1.40</b>	<b>1.86</b>
Administrative and general expense:				
Salaries .....	3.66	3.19	2.12	2.72
Employees' benefits .....	0.03	0.02	0.04	0.03
Occupancy .....	1.25	0.81	0.41	0.66
Light, heat, and power .....	0.15	0.11	0.05	0.09
Taxes <sup>1</sup> .....	0.10	0.13	0.04	0.09
Insurance <sup>1</sup> .....	0.31	0.25	0.09	0.17
Office supplies .....	0.25	0.24	0.20	0.22
Postage, telegraph, telephone .....	0.26	0.28	0.19	0.24
Cash discounts allowed .....	0.04	0.09	0.05	0.07
Bad debts — amount written off .....	0.28	0.32	0.39	0.35
(Less) — amount recovered .....	—	0.02	0.21	0.11
Net bad debt loss .....	0.28	0.30	0.18	0.24
All other expenses .....	1.75	1.16	0.87	1.08
<b>Total administrative and general expense .....</b>	<b>8.08</b>	<b>6.58</b>	<b>4.24</b>	<b>5.61</b>
<b>Total operating expenses .....</b>	<b>14.15</b>	<b>13.46</b>	<b>8.84</b>	<b>11.30</b>
Net operating profit .....	0.39(L)	0.60	2.62	1.48
Other trading income .....	0.26	0.19	0.17	0.19
<b>Total net profit before income tax deduction .....</b>	<b>0.13(L)</b>	<b>0.79</b>	<b>2.79</b>	<b>1.67</b>
MISCELLANEOUS DATA				
Credit sales:				
Average per firm .....	\$ 142,076	321,919	1,514,900	430,858
Percent of total sales .....	97.44	98.00	99.04	98.49
Accounts outstanding:				
Average per firm .....	\$ 19,720	49,060	131,190	50,023
Percent of credit sales .....	13.88	15.24	8.66	11.61
Sales per 1,000 sq. ft. of floor space .....	\$ 73,814	40,068	100,872	59,640

1. Excludes amount attributed to real estate which is in occupancy expense.  
(L) Operating loss.

## Comparison of 1947 and 1949 Results

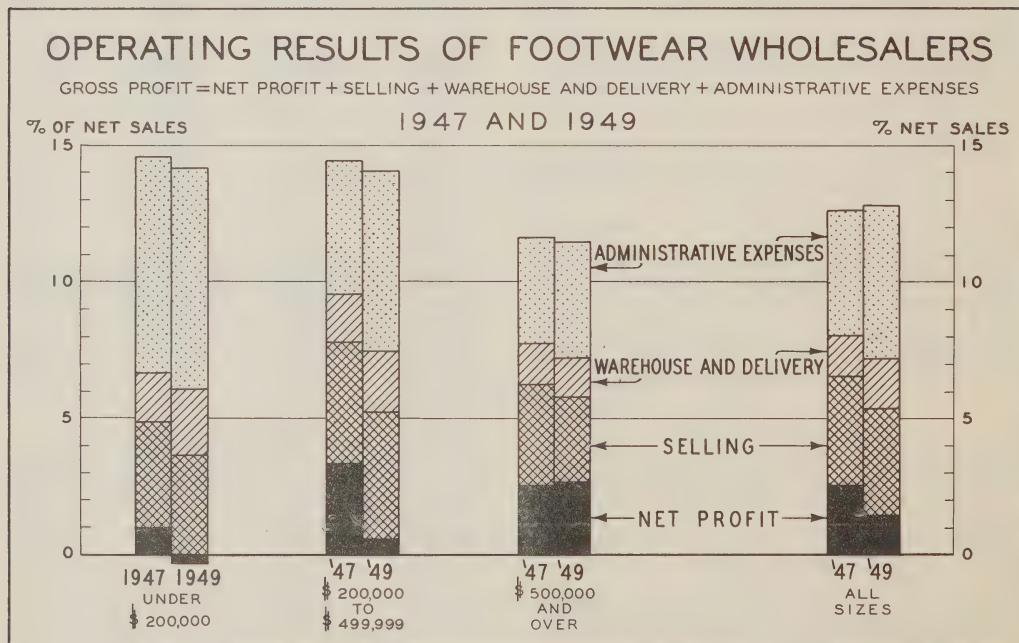
A total of 21 firms reported to the 1947 survey while 29 firms sent in reports for 1949. Of these, 20 reported for both years. Results for all respondents and for the 20 firms which reported to both surveys are summarized below.

Gross profits increased slightly in 1949 from 1947—12.78% and 12.64% respectively—but operating expenses showed a considerable increase. The resultant net profit was 1.48% of sales in 1949 compared with 2.58% in 1947.

## Operating Results of Footwear Wholesalers, 1947 and 1949 Compared

Item	All respondents		Identical firms	
	1947	1949	1947	1949
Number of firms.....	21	29	20	20
Average sales per firm..... \$	511,228	437,464	529,058	502,776
	(Percent of net sales)			
Gross profit.....	12.64	12.78	12.56	12.53
Operating expenses:				
Selling.....	3.95	3.83	3.94	3.68
Warehouse and delivery.....	1.56	1.86	1.56	1.78
Administrative and general.....	4.55	5.61	4.47	5.36
<b>Total operating expenses.....</b>	<b>10.06</b>	<b>11.30</b>	<b>9.97</b>	<b>10.82</b>
Net profit before other income or deduction of income tax.....	2.58	1.48	2.59	1.71

CHART 3





UNIVERSITY OF TORONTO  
LIBRARY  
GOVERNMENT OF CANADA

OPERATING RESULTS  
OF  
DRY GOODS, PIECE GOODS  
AND FOOTWEAR WHOLESALERS  
1951



EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1953



OPERATING RESULTS OF DRY GOODS, PIECE GOODS  
AND FOOTWEAR WHOLESALEERS  
1951

*Published by*

Authority of the Rt. Hon. C. D. Howe  
Minister of Trade and Commerce

Prepared in the Merchandising and Services Section  
Industry and Merchandising Division  
Dominion Bureau of Statistics  
Ottawa

## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 4 volumes, as follows: **Volume I**—The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Construction; **Volume IV**—Merchandising and Services.

Volume IV consists of the following parts with individual trade reports listed under each:

### Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢.
- B — Operating Results of Food Wholesalers, 25¢.
- C — Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
- D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢.

### Part II — Retail Statistics

- E — General Review, 25¢.
- F — Retail Trade, 25¢.
- G — Retail Chain Stores, 25¢.
- H — Operating Results of Chain Food Stores, 25¢.
- I — Operating Results of Chain Clothing Stores, 25¢.
- J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
- \*K — Operating Results of Retail Food Stores, 25¢.
- \*L — Operating Results of Retail Clothing Stores, 25¢.
- \*M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢.
- \*N — Operating Results of Filling Stations and Garages, 25¢.
- \*O — Operating Results of Miscellaneous Retail Stores, 25¢.
- P — Retail Consumer Credit, 25¢.

### Part III — Service and Special Fields

- Q — Laundries, Cleaners and Dryers, 25¢.
- R — Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
- S — Hotels, 25¢.
- T — Sales Financing, 25¢.
- U — Farm Implement and Equipment Sales, 25¢.
- V — New Motor Vehicle Sales and Motor Vehicle Financing 25¢.
- W — Advertising Agencies (Memorandum) 25¢.

The reports are punched to permit of filing in a ring binder.

\* Biennial reports — not issued for 1951.



# CONTENTS

	Pages
INTRODUCTION .....	C-5
SUMMARY BY TRADES .....	C-7
REVIEW OF RESULTS, TABLES, AND CHARTS:	
Dry Goods Wholesalers .....	C-8-13
Piece Goods Wholesalers .....	C-14-19
Footwear Wholesalers .....	C-20-23

## OPERATING RESULTS - LIST OF REPORTS

### WHOLESALE TRADE (1947, 1949 and 1951) •

1. Food Wholesalers
2. Dry Goods, Piece Goods and Footwear Wholesalers
3. Miscellaneous Wholesalers (Automotive Parts and Accessories, Drugs, Hardware, Plumbing and Heating Supplies)

### INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948 and 1950)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. Miscellaneous Stores (Country General, Restaurants, Fuel, Drugs, Jewellery, and Tobacco Stores)

### RETAIL CHAIN STORES (1947, 1949 and 1951)

1. Food Store Chains
2. Clothing Store Chains
3. Miscellaneous Chain Stores (Variety, Furniture, Drugs)



# OPERATING RESULTS OF DRY GOODS, PIECE GOODS AND FOOTWEAR WHOLESALERS

1951

## INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

### Scope

This study is confined to wholesalers proper, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributor are not included. Three separate trades are covered—dry goods, piece goods, and footwear wholesalers.

### Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size ranges. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared. Reports from Newfoundland wholesalers are not included in this survey. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only. Middle range figures for gross and net profits, and for three main functional divisions of expense, introduced in 1949, are contained in this report. Results for one-half of all firms fell within the range shown for each item, while one-quarter of the firms fell on either side of the range limits indicated. Because each item was treated singly, the sum of net profit and the expense items does not necessarily equal gross profit in those tables showing middle range data.

### Purpose

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operation against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

### Period Covered

This report deals largely with 1951 operations and is the third biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1949 and 1951. The charts show the gross profit components for 1947, 1949 and 1951 by suitable sales size classifications for each trade.





## SUMMARY OF 1951 RESULTS BY TRADES

The following summary table shows the principal operating results figures for the three kinds of wholesale business covered in this report. In analyzing the performance of an individual wholesale company,

reference should be made to the more detailed tables appearing in appropriate sections of this report. In these tables, variations arising from differences in sales size and geographic locations are revealed.

### Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers Compared, 1951

Item	Dry goods	Piece goods	Footwear
Number of firms .....	57	66	25
Average sales per firm ..... \$	1,685,435	477,331	369,552
Stock turnover (times per year) .....	4.33	3.36	4.25
Per cent of net sales			
<b>Gross profit</b> .....	<b>16.96</b>	<b>15.19</b>	<b>14.07</b>
Operating expenses:			
Selling expense.....	4.94	4.54	4.55
Warehouse and delivery expense.....	2.22	1.84	2.26
Administrative and general expense.....	6.70	7.43	7.01
<b>Total operating expenses</b> .....	<b>13.86</b>	<b>13.81</b>	<b>13.82</b>
Net operating profit .....	3.10	1.38	0.25
Other trading income .....	0.80	0.57	0.38
Miscellaneous Expense .....	0.37	0.19	0.51
<b>Net profit before income tax deduction</b> .....	<b>3.53</b>	<b>1.76</b>	<b>0.12</b>
Credit sales .....	96.65	96.10	95.34
Sales to retail stores .....	92.34	36.62	95.00

Extreme caution should be observed to avoid comparing absolute dollar values (average sales, cost of goods etc.) published in this report, with corresponding items of individual establishments or firms. These values are averages of items reported by both single and multiple establishment firms and are "firm" averages, not "establishment" averages. Consequently, a concentration of multiple establishment firms in a specific trade will result in an

abnormal average for that trade. Ratios, however, may be used with a high degree of reliability when applied to either an establishment or a firm. The survey was designed primarily to obtain operating ratios to which both single and multiple establishment firms might compare their operating results. Absolute values are shown only for the purpose of assisting the wholesaler to place his firm in relation to the average in the appropriate sales size category.

Average sales ranged from \$369,552 for footwear wholesalers to \$477,331 and \$1,685,435 for piece goods and dry goods wholesalers respectively; the same relative positions as occurred in 1949. Differences in average sales are primarily due to peculiarities of each specific trade, with respect to both kind of goods sold and number of establishments per firm. The interrelationship of stock turnover ratios was the same, with dry goods wholesalers obtaining the highest, 4.33, and piece goods wholesalers showing the lowest, 3.36. Dry goods wholesalers averaged the highest gross profit or margin ratio (16.96%) of net sales; piece goods wholesalers showed 15.19%, but footwear wholesalers only obtained 14.07%. Because of the magnitude of the ratios the differences appear slight, but the total operating expense ratio for each trade was almost identical in each instance. Therefore, the net operating profit ratios took the same relative order as the

gross profit ratios, with dry goods highest with 3.10%, piece goods second with 1.38% and footwear lowest with 0.25%. Each trade showed one of the ratios of the three functional divisions of expense as highest. Dry goods showed the highest selling expense ratio of 4.94%, piece goods the highest administrative and general expense ratio, 7.43%, and footwear the highest warehouse and delivery expense ratio, 2.26%.

Average credit sales, expressed as a percentage of average net sales, indicate that dry goods wholesalers' ratio of 96.65% was the highest and footwear wholesalers' ratio of 95.34% was the lowest. Piece goods wholesalers sold about two thirds of their merchandise to large industrial users, whereas dry goods and footwear wholesalers sold mainly to retail stores.

## DRY GOODS WHOLESALERS

Of the 57 firms reporting, 43 were incorporated, and the remaining 14 were comprised of four individual proprietorships and 10 partnerships. Only eight firms operated more than one establishment. Sales to

retail stores made up 92.3% of total sales; the remaining 7.7% was almost entirely to other wholesalers and large users.

### Description of Reporting Firms

Item	Firms with 1951 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms .....	15	19	15	8	57
Form of organization:					
Individual proprietorship .....	2	2	—	—	4
Partnership .....	4	5	1	—	10
Incorporated company .....	9	12	14	8	43
Number of firms operated as:					
Single establishment .....	15	17	12	5	49
Multiple establishment .....	—	2	3	3	8
Distribution of sales:					
To retailers .....%	93.83	94.77	90.50	92.87	92.34
To other wholesalers and large users .....%	6.17	3.57	9.50	5.49	6.58
To others .....%	—	1.66	—	1.64	1.08

## REVIEW OF 1951 OPERATING RESULTS

### Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high

degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Dry goods wholesalers obtained an average gross profit of 16.96 per cent of average net sales, slightly larger than the 1949 ratio. This indicates that the average gross profit increased at a greater rate than average net sales. This condition was experienced in each of the sales size categories except the second, which showed a slight decrease from 16.08% to 15.89%. A slight increase from 13.39% in 1949 to 13.86% in 1950, occurred in the total operating expense ratio. Of the three components; administrative and general expense, which accounts for almost half of total expense, decreased slightly to 6.70%. Selling expense and warehouse and delivery expense each increased slightly to 4.94% and 2.22% respectively. The only significant exception from the average occurred in the third sales size category where the warehouse and delivery expense ratio decreased from 2.59% to 1.79%, a decrease sufficient to cause a slight decline in the total expense ratio. Miscellaneous expense and income netted an increase to the net operating profit of 3.10% resulting in a ratio of net profit before income tax of 3.53%.

### Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms, increased from 17.86% at the beginning of the year, to 20.46% at the end of the year. This trend was common to all sales

size categories. The rate of stock turnover-average of beginning and ending inventories divided into cost of goods sold - was 4.33 for all dry goods wholesalers, a slight decline from the 1949 rate.

### Credit Sales and Receivables

Although the first (the smallest) and third sales size categories showed a slight decrease in the proportion of credit sales to net sales, the average of all dry goods wholesalers increased from 96.40% in 1949 to 96.65% in 1951. Accounts outstanding, as at

December 31, 1951, were 12.55 per cent of credit sales. The largest and smallest proportions, 16.06% and 11.19%, appeared in the first and fourth sales size categories respectively.

TABLE 1. Operating Results of Dry Goods Wholesalers, 1951, by Size of Firm

Item	Firms with 1951 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms reporting .....	15	19	15	8	57
Average net sales per firm .....	\$ 143,629	547,600	2,040,709	6,612,544	1,685,435
Average cost of goods sold .....	\$ 118,902	460,569	1,696,456	5,474,209	1,399,558
Stock turnover (times per year) .....	3.39	3.80	4.05	4.71	4.33
Average beginning inventory .....	\$ 33,375	116,231	402,498	1,051,141	300,976
Per cent of average net sales .....	23.24	21.22	19.72	15.90	17.86
Average ending inventory .....	\$ 36,689	126,206	435,933	1,271,343	344,877
Per cent of average net sales .....	25.54	23.05	21.36	19.23	20.46
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Gross profit .....	17.22	15.89	16.87	17.21	16.96
Operating expenses:					
Selling expense:					
Salaries .....	2.92	3.86	3.59	3.93	3.79
Travelling .....	1.03	0.97	0.71	0.60	0.69
Advertising .....	0.09	0.11	0.28	0.41	0.33
Other selling expense .....	0.08	0.12	0.16	0.11	0.13
Total selling expense .....	4.12	5.06	4.74	5.05	4.94
Warehouse and delivery expense:					
Salaries and wages .....	1.73	1.42	1.30	1.85	1.63
Maintenance of delivery equipment .....	0.67	0.12	0.12	0.12	0.13
Outward freight .....	0.11	0.21	0.23	0.22	0.22
Warehouse supplies .....	0.16	0.17	0.13	0.16	0.15
Other warehouse and delivery expense .....	0.05	0.47	0.01	0.07	0.09
Total warehouse and delivery expense .....	2.72	2.39	1.79	2.42	2.22
Administrative and general expense:					
Salaries .....	4.52	3.28	3.76	3.28	3.45
Employees' benefits .....	0.03	0.26	0.23	0.24	0.24
Occupancy .....	1.55	1.09	0.81	0.71	0.80
Light, heat, and power .....	0.19	0.15	0.12	0.13	0.13
Taxes <sup>1</sup> .....	0.13	0.09	0.08	0.10	0.09
Insurance <sup>1</sup> .....	0.41	0.30	0.17	0.11	0.16
Office supplies .....	0.26	0.21	0.16	0.20	0.19
Communication .....	0.21	0.20	0.23	0.24	0.23
Bad debts — amount written off .....	0.53	0.31	0.43	0.09	0.23
All other expense .....	1.05	1.03	0.92	1.36	1.18
Total administrative and general expense .....	8.88	6.92	6.91	6.46	6.70
Total operating expenses .....	15.72	14.37	13.44	13.93	13.86
Net operating profit .....	1.50	1.52	3.43	3.28	3.10
Other trading income .....	0.80	0.72	0.57	0.96	0.80
Miscellaneous expense .....	0.29	0.32	0.49	0.31	0.37
Net profit before income tax deduction .....	2.01	1.92	3.51	3.93	3.53
MISCELLANEOUS DATA					
Credit sales:					
Average per firm .....	\$ 129,453	530,734	1,952,142	6,451,198	1,628,804
Per cent of average net sales .....	90.13	96.92	95.66	97.56	96.65
Accounts outstanding:					
Average per firm .....	\$ 20,790	65,174	281,304	721,889	204,415
Per cent of average credit sales .....	16.06	12.28	14.41	11.19	12.55
Sales per 1,000 sq. ft. of floor space .....	\$ 49,794	47,401	58,172	90,706	71,268

1. Excludes amount attributed to real estate which is in occupancy expense.



## Regional Results

Gross trading profit ratios of dry goods wholesalers in the four major regions of Canada, ranged from 15.33% in Ontario to 18.18% in the Prairie Provinces. Ontario and the Prairie Provinces also

showed the lowest and highest total operating expense ratios, 12.88% and 15.22% respectively. The British Columbia wholesalers obtained the highest net trading profit ratio of 3.60%.

TABLE 2. Operating Results of Dry Goods Wholesalers, by Regions, 1951

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms .....	18	17	17	5	57
Average sales per firm ..... \$	2, 184, 254	1, 554, 767	1, 413, 186	1, 259, 611	1, 685, 435
PROFIT AND LOSS DATA					
(Percent of net sales)					
Gross profit .....	17.23	15.33	18.18	17.46	16.96
Operating expenses:					
Selling expense .....	5.15	4.75	5.05	3.93	4.94
Warehouse and delivery expense .....	1.99	2.38	2.49	1.98	2.22
Administrative and general expense .....	6.54	5.75	7.68	7.95	6.70
Total operating expenses .....	13.68	12.88	15.22	13.86	13.86
Net operating profit .....	3.55	2.45	2.96	3.60	3.10

## Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 3. Average and Middle Range Ratios of Dry Goods Wholesalers, 1951

Item	Firms with 1951 sales of						Total all sizes	
	Under \$250,000		\$250,000 to \$999,999		\$1,000,000 to \$2,999,999			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	Per cent of net sales							
Gross Profit .....	17.2	14.0—20.3	15.9	12.3—20.2	16.8	15.5—19.0	16.9	13.2—20.0
Selling expense .....	4.1	2.6— 6.3	5.1	3.2— 6.3	4.7	3.2— 5.7	4.9	3.2— 6.3
Warehouse and delivery expense ....	2.7	1.7— 3.7	2.4	1.4— 2.9	1.8	0.9— 2.6	2.2	1.2— 3.1
Administrative and general expense	8.9	6.7—12.3	6.9	5.6— 8.9	6.9	5.8— 8.3	6.7	5.8—10.4
Net operating profit .....	1.5	0.6 <sup>1</sup> — 2.7	1.5	0.6— 2.8	3.4	1.5— 5.5	3.1	0.6— 3.3

1. Operating loss.

## Incorporated Companies 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax, expressed as a pro-

portion of net sales, was 3.64% and 3.53% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio of 3.64% to 1.91%, a decrease of 48%.

TABLE 4. Operating Results of Incorporated Dry Goods Wholesalers, 1951, By Size of Firm

Item	Firms with 1951 Sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
(Per cent of net sales)					
Gross profit .....	17.80	16.19	16.88	17.21	17.03
Operating expenses .....	15.82	14.63	13.28	13.93	13.81
Net operating profit .....	1.98	1.56	3.60	3.28	3.22
Other trading income .....	1.03	0.66	0.55	0.96	0.81
Miscellaneous expense .....	0.30	0.37	0.53	0.31	0.39
Net profit before income tax deduction .....	2.71	1.85	3.62	3.93	3.64
Income tax .....	0.72	0.72	1.64	1.95	1.73
Final net profit .....	1.99	1.13	1.98	1.98	1.91

## Comparison of 1949 and 1951 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 5. Operating Results of Dry Goods Wholesalers, 1949 and 1951 Compared

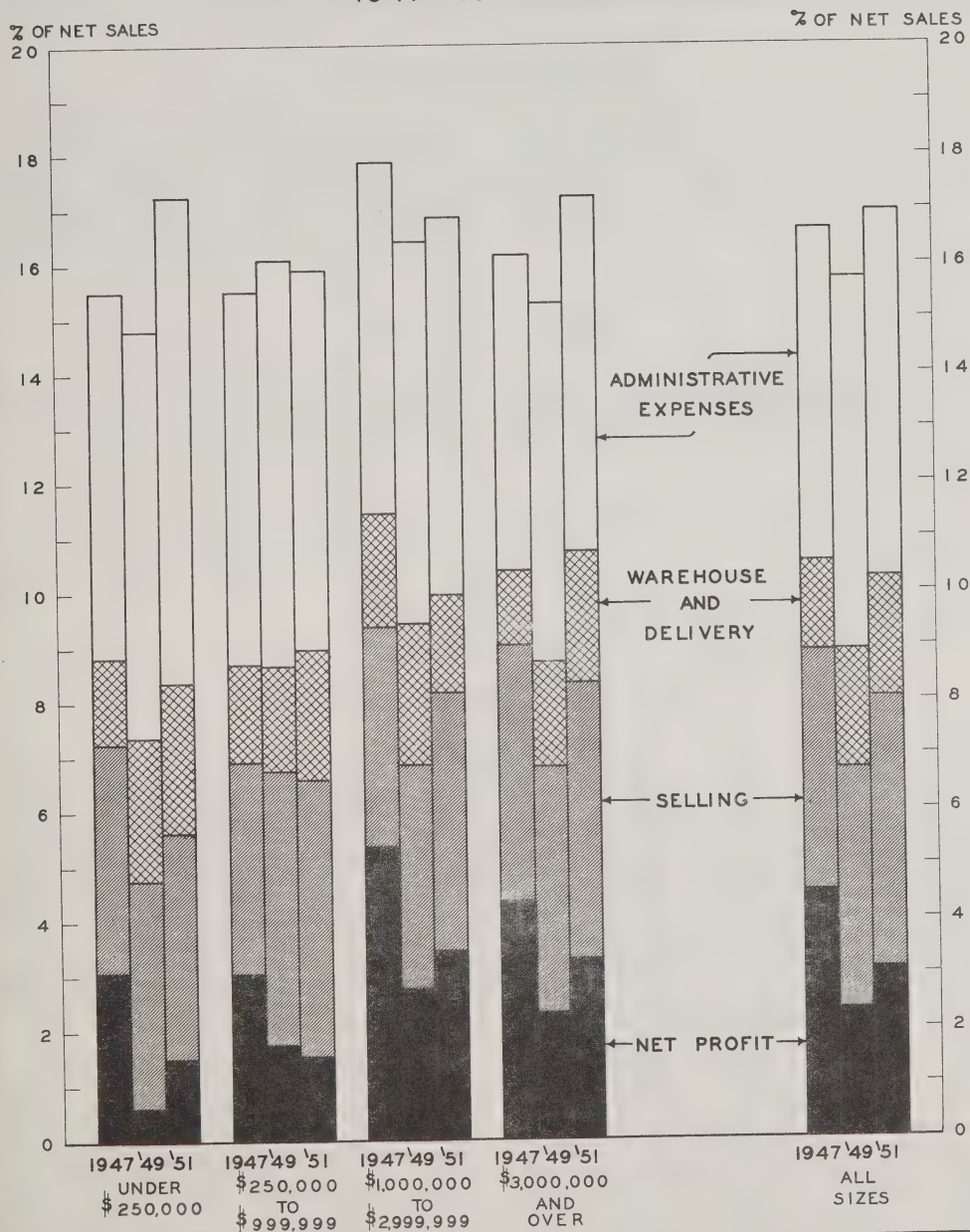
Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms .....	62	57	48	48
Average net sales per firm .....	\$ 1,473,476	1,685,435	1,737,100	1,811,608
Per cent of net sales				
Gross profit .....	15.73	16.96	15.73	16.74
Operating expenses:				
Selling expense .....	4.40	4.94	4.31	4.74
Warehouse and delivery expense .....	2.18	2.22	2.17	2.18
Administrative and general expense .....	6.81	6.70	6.75	6.58
Total operating expenses .....	13.39	13.86	13.23	13.50
Net operating profit .....	2.34	3.10	2.50	3.24

CHART I.

# OPERATING RESULTS OF DRY GOODS WHOLESALERS

GROSS PROFIT=NET PROFIT+SELLING+WAREHOUSE AND DELIVERY+ADMINISTRATIVE EXPENSES

1947 - 1949 - 1951





## PIECE GOODS WHOLESALERS

Of the 66 firms reporting, 40 were incorporated and the remaining 26 were comprised of 16 partnerships and 10 single proprietorships. Only 5 operated

more than one establishment. The sales distribution ratios indicate that the greater proportion of sales was made to industrial users.

### Description of Reporting Firms

Item	Firms with 1951 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of Firms .....	20	27	11	8	66
Form of organization:					
Individual proprietorship .....	3	4	2	1	10
Partnership .....	4	8	3	1	16
Incorporated company.. ..	13	15	6	6	40
Number of firms operated as:					
Single establishment .....	20	23	11	7	61
Multiple establishment.....	—	4	—	1	5
Distribution of sales:					
To retailers .....	35.06	43.94	47.68	25.49	36.62
To other wholesalers and large users .....	64.67	55.55	52.32	74.51	63.21
To others .....	0.27	0.51	—	—	0.17

### REVIEW OF 1951 OPERATING RESULTS

#### Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid inter-

preting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges, as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Piece goods wholesalers obtained an average gross profit or margin of 15.19 per cent of average net sales on 1951 operations, slightly less than the 1949 ratio of 15.93%. Gross profit ratios of the typical sales size categories ranged from 12.74% to 18.56% in the fourth (the largest) and second categories respectively. Total operating expense ratios also showed a large range, from 11.65% to 17.88% for the third and second categories respectively. The average operating expense ratio for all piece goods wholesalers was 13.81 per cent of average net sales.



Administrative and general expense accounted for more than half of total operating expense, and selling expense approximately a third, whereas warehouse and delivery was a comparatively very small proportion. The third sales size category showed the

largest net operating profit ratio, 3.31%, and the first category showed the lowest, 0.04%. Miscellaneous expense and income netted an increase to the net operating profit of 1.38%, resulting in a ratio of net profit before income tax of 1.76%.

### Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 24.02% at the beginning of the year, to 26.45% at the end of the year. This is significant as a reverse in trend of the 1949 ratios which decreased from 19.84% to 19.27%. The rate of stock turnover-average of beginning and ending inventories divided into cost of goods sold-

was 3.36 for all firms combined. It would be expected that the stock turnover rate would increase directly with the sales size categories. The exception in this instance was the second category which showed a slight decrease from the first, or smallest, category.

### Credit Sales and Receivables

Average credit sales, expressed as a percentage of average net sales, was 96.10% for all piece goods wholesalers in 1951. This ratio ranged from 88.63% in the third sales size category to 99.88% in the fourth,

or largest, category. Average accounts outstanding averaged 14.07% of credit sales for all firms. The highest proportion, 19.18%, occurred in the first category, and the lowest, 12.40% in the third category.

**TABLE 6. Operating Results of Piece Goods Wholesalers 1951, By Size of Firm**

Item	Firms with 1951 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting .....	20	27	11	8	66
Average net sales per firm .....	\$ 130,330	331,738	657,225	1,588,853	477,331
Average cost of goods sold .....	\$ 109,263	270,171	558,918	1,386,378	404,833
Stock turnover (times per year) .....	2.84	2.60	3.54	4.20	3.36
Average beginning inventory .....	\$ 38,028	95,653	144,916	328,573	114,634
Per cent of average net sales .....	29.18	28.83	22.05	20.68	24.02
Average ending inventory .....	\$ 39,020	112,073	170,430	331,485	126,257
Per cent of average net sales .....	29.94	33.78	25.93	20.86	26.45
<b>PROFIT AND LOSS DATA</b>					
(Per cent of net sales)					
Gross profit .....	16.16	18.56	14.96	12.74	15.19
Operating expenses:					
Selling expense:					
Salaries .....	3.55	3.87	2.69	3.12	3.27
Travelling .....	0.75	1.03	0.59	0.66	0.76
Advertising .....	0.26	0.12	0.14	0.10	0.13
Other selling expense .....	0.41	0.39	0.30	0.41	0.38
<b>Total selling expense .....</b>	<b>4.97</b>	<b>5.41</b>	<b>3.72</b>	<b>4.29</b>	<b>4.54</b>
Warehouse and delivery expense:					
Salaries and wages .....	1.09	1.66	0.84	0.89	1.12
Maintenance of delivery equipment .....	0.35	0.28	0.24	0.21	0.25
Outward freight .....	0.26	0.27	0.22	0.27	0.25
Warehouse supplies .....	0.15	0.11	0.10	0.09	0.10
Other warehouse and delivery expense .....	0.10	0.15	0.16	0.07	0.12
<b>Total warehouse and delivery expense .....</b>	<b>1.95</b>	<b>2.47</b>	<b>1.56</b>	<b>1.53</b>	<b>1.84</b>

TABLE 6. Operating Results of Piece Goods Wholesalers 1951, By Size of Firm - Concluded

Item	Firms with 1951 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Administrative and general expense:					
Salaries .....	4.91	5.61	3.14	2.95	3.90
Employees' benefits .....	0.02	0.10	0.14	0.25	0.17
Occupancy .....	1.11	1.11	1.00	0.50	0.84
Light, heat, and power .....	0.10	0.11	0.11	0.04	0.08
Taxes <sup>1</sup> .....	0.18	0.22	0.10	0.08	0.13
Insurance <sup>1</sup> .....	0.35	0.25	0.27	0.15	0.22
Office supplies .....	0.25	0.19	0.11	0.13	0.15
Communication .....	0.31	0.27	0.24	0.22	0.25
Bad debts—amount written off .....	0.35	0.53	0.42	0.70	0.56
All other expense .....	1.62	1.61	0.84	0.85	1.13
Total administrative and general expense..	9.20	10.00	6.37	5.87	7.43
Total operating expenses .....	16.12	17.88	11.65	11.69	13.81
Net operating profit .....	0.04	0.68	3.31	1.05	1.38
Other trading income .....	0.83	0.59	0.34	0.63	0.57
Miscellaneous expense .....	0.09	0.10	0.15	0.31	0.19
Net profit before income tax deduction .....	0.78	1.17	3.50	1.37	1.76
MISCELLANEOUS DATA					
Credit sales:					
Average per firm .....	\$ 120,660	323,245	582,499	1,586,946	458,715
Per cent of average net sales .....	92.58	97.44	88.63	99.88	96.10
Accounts outstanding:					
Average per firm .....	\$ 23,143	44,963	72,230	220,427	64,541
Per cent of average credit sales .....	19.18	13.91	12.40	13.89	14.07
Sales per 1,000 sq. ft. of floor space .....	\$ 100,368	86,102	122,104	168,455	115,814

1. Excludes amount attributed to real estate which is in occupancy expense.

#### Results of Firms Selling to Retailers and Large Users Compared

The differences in operating results of firms selling primarily to retailers and firms selling chiefly to industry, or other large users, are revealed in the following table of comparison. In general, those firms selling to retailers experienced larger operating expenses and consequently sold at a higher gross profit or margin. The functional divisions of expense for each group were of similar

proportions of their respective total expense items. Administrative expense accounted for slightly more than half, selling expense was approximately a third, and warehouse and delivery expense comprised the remaining portion of about 15%. In all sales size categories but the smallest, those wholesalers selling to industry obtained the higher net profit ratio.

**TABLE 7. Operating Results of Piece Goods Wholesalers, 1951  
Firms Selling to Retailers and to Large Users, Compared**

Item	Firms with 1951 sales of							Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over		
	50% and over to retailers	Over 50% over to large users	50% and over to retailers	Over 50% over to large users	50% and over to retailers	Over 50% over to large users	Over 50% over to large users	50% and over to retailers	Over 50% over to large users
	Per cent of net sales								
Gross profit .....	18.76	14.54	20.23	17.45	14.12	16.01	12.74	17.19	14.44
Operating expenses:									
Selling .....	6.54	3.99	5.96	5.06	4.24	3.08	4.29	5.22	4.28
Warehouse and delivery..	2.98	1.31	3.68	1.66	1.33	1.85	1.53	2.50	1.59
Administrative and general	8.89	9.40	10.80	9.47	6.86	5.75	5.87	8.73	6.95
Total operating expenses	18.41	14.70	20.44	16.19	12.43	10.68	11.69	16.45	12.82
Net operating profit .....	0.35	<sup>1</sup> 0.16	<sup>1</sup> 0.21	1.26	1.69	5.33	1.05	.74	1.62

1. Operating loss

#### Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary consi-

derably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

**TABLE 8. Average and Middle Range Ratios of Piece Goods Wholesalers, 1951**

Item	Firms with 1951 sales of								Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	Per cent of net sales									
Gross profit .....	16.2	11.5-20.1	18.6	12.3-25.2	15.0	10.3-19.9	12.7	11.2-13.3	15.2	11.9-20.3
Selling expense .....	5.0	2.0- 7.6	5.4	2.4- 8.3	3.7	1.9- 5.9	4.3	2.2- 6.4	4.6	2.3- 7.4
Warehouse and delivery expense .....	2.0	0.6- 3.3	2.5	0.9- 3.3	1.6	0.9- 2.3	1.5	0.7- 2.3	1.8	0.9- 2.8
Administrative and general expense .....	9.2	6.1-11.1	10.0	8.2-12.5	6.4	3.9- 8.8	5.8	5.4- 8.4	7.4	6.1-11.0
Net operating profit ..	0.0	3.8- 2.4	0.7	1.7- 2.9	3.3	0.2- 6.9	1.1	4.8- 3.0	1.4	1.9- 2.9

1. Operating loss

#### Incorporated Companies 1951

Comparison of the profit and expense ratios of incorporated firms, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax, expressed as a proportion of net

sales, was 1.72% and 1.76% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 1.06%, a decrease of 33%.

TABLE 9. Operating Results of Incorporated Piece Goods Wholesalers, 1951, by Size of Firm

Item	Firms with 1951 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
	Per cent of net sales				
Gross profit .....	15.75	19.05	14.88	12.72	14.95
Operating expenses .....	16.01	18.50	11.65	11.29	13.52
Net operating profit .....	1.26	0.55	3.23	1.43	1.43
Other trading income .....	1.00	0.96	0.18	0.41	0.55
Miscellaneous expense .....	—	0.16	0.17	0.39	0.26
Total net profit before income tax deduction .....	0.74	1.35	3.24	1.45	1.72
Income Tax .....	0.36	0.52	0.39	0.89	0.66
Final net profit .....	0.38	0.83	2.85	0.56	1.06

1. Operating loss.

## Comparison of 1949 and 1951 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 10. Operating Results of Piece Goods Wholesalers 1949 and 1951 Compared

Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms .....	76	66	53	53
Average net sales per firm..... \$	494,384	477,331	526,864	494,405
	Per cent of net sales			
Gross profit .....	15.93	15.19	16.01	14.46
Operating expenses:				
Selling expense .....	4.11	4.62	4.33	4.44
Warehouse and delivery expense .....	1.86	1.82	1.87	1.85
Administrative and general expense .....	6.67	7.37	6.96	7.22
Total operating expenses .....	12.64	13.81	13.16	13.51
Net operating profit .....	3.29	1.38	2.85	0.95

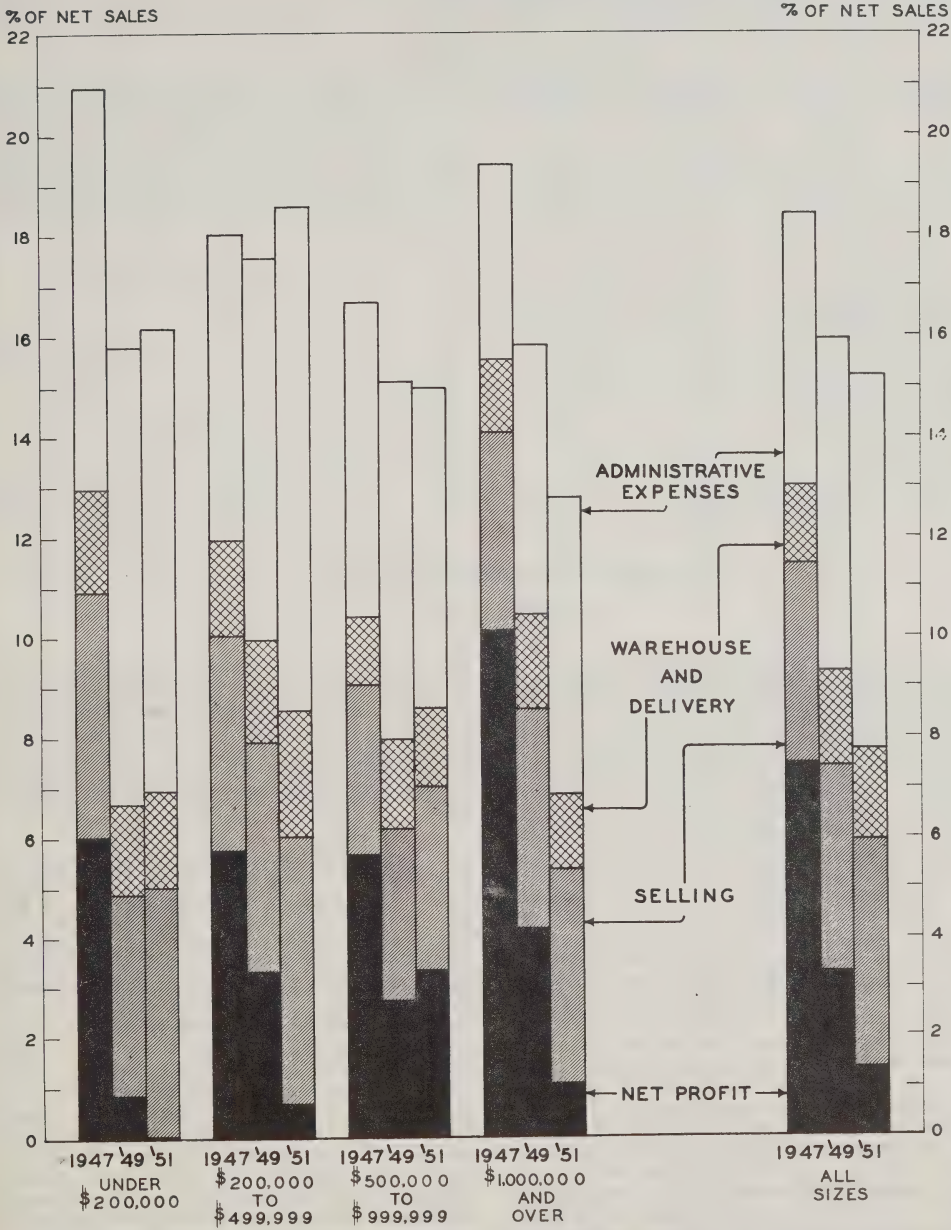


CHART 2.

# OPERATING RESULTS OF PIECE GOODS WHOLESALERS

GROSS PROFIT=NET PROFIT+SELLING+WAREHOUSE AND DELIVERY+ ADMINISTRATIVE EXPENSES

1947 - 1949 - 1951



## FOOTWEAR WHOLESALERS

Of the 25 reporting firms, 15 were incorporated and the remaining 10 were comprised of three partnerships and seven individual proprietorships. Each of the reporting firms operated only one establishment.

Sales to retail stores made up 95% of total sales. Of the remaining sales, other wholesalers and large users, such as institutions, accounted for four per cent.

### Description of Reporting Firms

Item	Firms with 1951 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms .....	9	12	4	25
Form of organization:				
Individual proprietorship .....	5	2	—	7
Partnership .....	—	3	—	3
Incorporated company .....	4	7	4	15
Number of firms operated as:				
Single establishment .....	9	12	4	25
Multiple establishment .....	—	—	—	—
Distribution of sales:				
To retailers .....	98.42	94.79	94.18	95.00
To other wholesalers and large users .....	1.58	2.82	5.82	3.99
To others .....	—	2.39	—	1.01

### REVIEW OF 1951 OPERATING RESULTS

#### Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the

effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

The average gross profit obtained by all footwear wholesalers was 14.07 per cent of average net sales. Gross profit ratios for the three typical sales size categories ranged from 13.39% to 15.53% in the largest and smallest categories respectively. Total operating expense averaged 13.82% and ranged from 12.38% to 16.53%, again in the largest and smallest categories respectively. Selling expense ratios remained at much the same level for each sales size and averaged 4.55%. Warehouse and delivery expense ratios also showed only a small range from 2.21% to 2.32% and averaged 2.26% for all wholesalers. Administrative and general expense, however, ranged from 5.18% to 9.82% in the third and first categories respectively, and attributed largely to the total expense ratio of 13.82%, and the resultant small net operating profit of 0.25%. Miscellaneous expense and income netted a further decrease which reduced the ratio of net operating profit before income tax to 0.12%.

TABLE 11. Operating Results of Footwear Wholesalers 1951, By Size of Firm

Item	Firms with 1951 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms reporting .....	9	12	4	25
Average net sales per firm ..... \$	137,091	324,654	1,027,279	369,552
Average cost of goods sold ..... \$	115,802	278,132	889,711	317,546
Stock turnover (times per year) .....	3.68	3.78	5.08	4.25
Average beginning inventory ..... \$	35,986	76,433	164,280	75,928
Per cent of average net sales .....	26.25	23.54	15.99	20.55
Average ending inventory ..... \$	26,951	70,590	185,927	73,334
Per cent of average net sales .....	19.66	21.74	18.10	19.84
PROFIT AND LOSS DATA				
(Per cent of net sales)				
Gross profit .....	15.53	14.33	13.39	14.07
Operating expenses:				
Selling expense:				
Salaries .....	2.15	2.86	3.76	3.17
Travelling .....	1.34	1.06	0.51	0.85
Advertising .....	0.38	0.17	0.37	0.29
Other selling expense .....	0.52	0.13	0.28	0.24
Total selling expense .....	4.39	4.22	4.92	4.55
Warehouse and delivery expense:				
Salaries and wages .....	1.16	1.68	1.58	1.56
Maintenance of delivery equipment .....	0.35	0.21	0.10	0.18
Outward freight .....	0.21	0.14	0.41	0.28
Warehouse supplies .....	0.60	0.13	0.05	0.16
Other warehouse and delivery expense .....	—	0.05	0.14	0.08
Total warehouse and delivery expense .....	2.32	2.21	2.28	2.26
Administrative and general expense:				
Salaries .....	5.07	4.12	2.95	3.72
Employees' benefits .....	0.04	0.04	0.02	0.03
Occupancy .....	1.90	1.59	0.37	1.09
Light, heat, and power .....	0.12	0.13	0.07	0.11
Taxes .....	0.16	0.14	0.06	0.11
Insurance .....	0.44	0.53	0.15	0.35
Office supplies .....	0.29	0.18	0.12	0.16
Communication .....	0.30	0.25	0.13	0.20
Bad debts—amount written off .....	0.25	0.22	0.51	0.36
All other expense .....	1.25	0.85	0.80	0.88
Total administrative and general expense .....	9.82	8.05	5.18	7.01
Total operating expenses .....	16.53	14.48	12.38	13.82
Net operating profit .....	21.00	20.15	1.01	0.25
Other trading income .....	0.20	0.14	0.66	0.38
Miscellaneous expense .....	0.24	0.11	0.96	0.51
Net profit before income tax deduction ....	21.04	20.12	0.71	0.12
MISCELLANEOUS DATA				
Credit sales:				
Average per firm ..... \$	129,085	302,707	1,002,522	352,331
Per cent of average net sales .....	94.16	93.24	97.59	95.34
Accounts outstanding:				
Average per firm ..... \$	20,576	57,212	160,003	60,636
Per cent of average credit sales .....	15.94	18.90	15.96	17.21
Sales per 1,000 sq. ft. of floor space .....	51,628	50,836	62,734	56,740

1. Excludes amount attributed to real estate which is in occupancy expense.

2. Operating loss.



## Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms, declined from 20.55% at the beginning of the year, to 19.84% at the end of the year. This trend was common to the first two sales size categories, but the third showed an

increase from 15.99% to 18.10%. The rate of stock turnover-average of beginning and ending inventories divided into cost of goods sold-was 4.25 for all footwear wholesalers, a slight decline from the 1949 rate.

## Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, was 95.34% for all footwear wholesalers, a decrease in proportion from the 1949 rate of 98.49%. This trend was common to each of the three sales

size categories. Accounts outstanding, as at December 31, 1951, were 17.21% of credit sales. The largest and smallest proportions occurred in the second and first categories, respectively.

## Comparison of 1949 and 1951 Identical Firm Results

The 1949 results of all respondents included returns from firms operating more than one establishment, whereas the 1951 results are based on returns of single establishment firms. Consequently the average net sales per firm for 1949 are larger than the 1951 average. This decrease of average net sales tends to overemphasize operating ratio increases and diminish operating ratio declines from 1949 to 1951. This circumstance is revealed in the following table of comparison of identical firm results. Comparison of the ratios for all respondents

shows an increase in the gross profit ratio, whereas there was actually a slight decrease, as shown by the identical firm comparison. Similarly, total operating expenses of all respondents shows an increase from 11.30% to 13.82%, but the actual increase of the identical firm comparison was only from 13.52% to 13.82%. The result was an overemphasized decline in net operating profits. The identical firm comparison portion of the table therefore permits a more accurate assessment of ratio changes from the previous survey.

TABLE 12. Operating Results of Footwear Wholesalers 1949 and 1951 Compared

Item	All respondents		Identical firms	
	1949	1951	1949	1951
Number of firms .....	29	25	25	25
Average net sales per firm ..... \$	437,464	369,552	365,570	369,552
Per cent of net sales				
Gross profit .....	12.78	14.07	14.21	14.07
Operating expenses:				
Selling expense .....	3.83	4.55	4.66	4.55
Warehouse and delivery expense .....	1.86	2.26	2.22	2.26
Administrative and general expense .....	5.61	7.01	6.64	7.01
Total operating expenses .....	11.30	13.82	13.52	13.82
Net operating profit .....	1.48	0.25	0.69	0.25

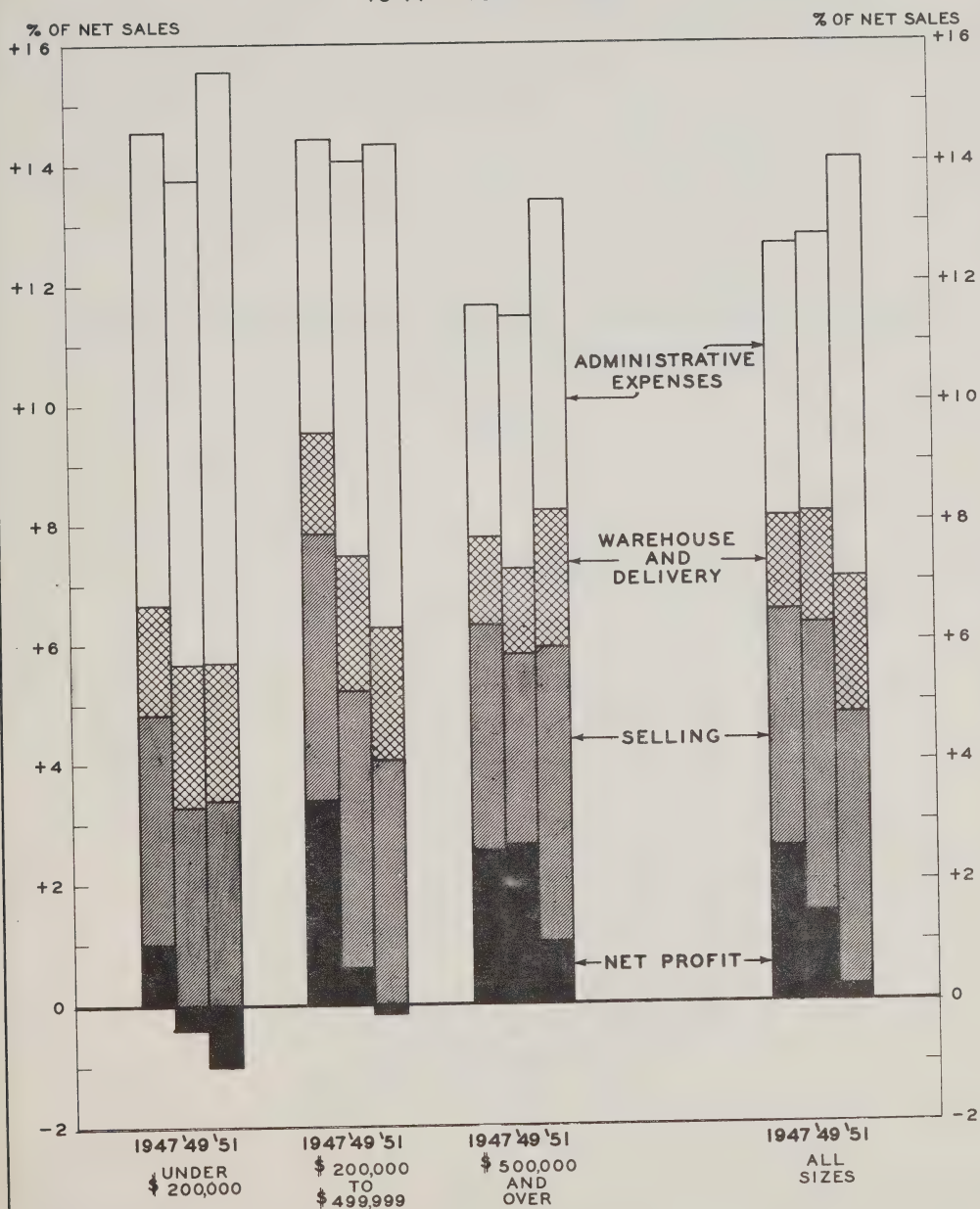


CHART 3.

# OPERATING RESULTS OF FOOTWEAR WHOLESALERS

GROSS PROFIT=NET PROFIT+SELLING+WAREHOUSE AND DELIVERY+ADMINISTRATIVE EXPENSES

1947-1949-1951





63-418



CANADA

**OPERATING RESULTS OF DRY GOODS, PIECE GOODS  
AND FOOTWEAR WHOLESALEERS  
1953**



*Published by Authority of*  
The Right Honourable C. D. Howe, Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**  
Industry and Merchandising Division  
Merchandising and Services Section

6505-523  
4-11-54

Price 25 cents

Vol. 3—Part I—C-1

## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

### Part I — Wholesale Statistics

- A — Wholesale Trade (not issued 1953)
- B — Operating Results of Food Wholesalers, 25¢
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢  
2 Operating Results of Drug Wholesalers, 25¢  
3 Operating Results of Hardware Wholesalers, 25¢  
4 Operating Results of Plumbing and Heating Supplies Wholesalers, 25¢  
5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

### Part II — Retail Statistics

- E — General Review — (Discontinued)
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Chain Food Stores, 25¢
- I — Operating Results of Chain Clothing Stores, 25¢
- J — 1 Operating Results of Chain Variety Stores, 25¢  
2 Operating Results of Chain Drug Stores, 25¢  
3 Operating Results of Chain Furniture Stores, 25¢
- \* K — Operating Results of Independent Food Stores, 25¢
- \* L — Operating Results of Independent Clothing Stores, 25¢
- \* M — Operating Results of Independent Hardware, Furniture, Appliance and Radio Stores, 25¢
- \* N — Operating Results of Filling Stations & Garages, 25¢
- \* O — 1 Operating Results of Independent General Stores, 25¢  
2 Operating Results of Independent Restaurants, 25¢  
3 Operating Results of Independent Fuel Dealers, 25¢  
4 Operating Results of Independent Drug Stores, 25¢  
5 Operating Results of Independent Jewellery Stores, 25¢  
6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Consumer Credit

### Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 10¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

\* Biennial reports — not issued for 1953.



## CONTENTS

	Page
INTRODUCTION .....	C- 5
SUMMARY BY TRADES .....	C- 7
REVIEW OF RESULTS, TABLES, AND CHARTS:	
Dry Goods Wholesalers .....	C- 8
Piece Goods Wholesalers .....	C-14
Footwear Wholesalers .....	C-20

### OPERATING RESULTS – LIST OF REPORTS

#### WHOLESALE TRADE (1947, 1949, 1951 and 1953)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Automotive Parts and Accessories Wholesalers
4. Drug Wholesalers
5. Hardware Wholesalers
6. Plumbing and Heating Equipment Supplies Wholesalers
7. Household Appliance and Electrical Supply Wholesalers

#### INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948, 1950 and 1952)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. General Stores
6. Restaurants
7. Fuel Dealers
8. Drug Stores
9. Jewellery Stores
10. Tobacco Stores

#### RETAIL CHAIN STORES (1947, 1949, 1951 and 1953)

1. Chain Food Stores
2. Chain Clothing Stores
3. Chain Variety Stores
4. Chain Furniture Stores
5. Chain Drugs Stores



# OPERATING RESULTS OF DRY GOODS, PIECE GOODS AND FOOTWEAR WHOLESALERS 1953

## INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

### Scope

This study is confined to wholesale merchants, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributor are not included. Three separate trades are covered—dry goods, piece goods and footwear.

### Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared although reports from Newfoundland wholesalers are not included. Proprietors' salaries were included with administrative salaries. An income tabulation was made for incorporated companies only. Middle range figures for gross and net profits, and for the three main functional divisions of expense, introduced in 1949, are contained in this report. Results for one-half of all firms fell within the range shown for each item, while one-quarter of the firms fell on either side of the range limits indicated. (Because each item was treated singly, the sum of net profit and the expense items does not necessarily equal gross profit in those tables showing middle range data.)

### Purpose

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

### Period Covered

This report deals largely with 1953 operations and is the fourth biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1951 and 1953. The charts show the gross profit components for 1949, 1951 and 1953 by suitable sales-size classification for each trade.





## SUMMARY OF 1953 RESULTS BY TRADES

The following summary table shows the principal operating results figures for three components of the food wholesale business. In analyzing the performance of an individual food wholesale company, reference should be made to the detailed tables in

the appropriate sections of this bulletin. In these sections (grocery, fruit and vegetable, and tobacco and confectionery) operating results figures for typical sales-size classifications and geographic locations are revealed.

### Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers Compared, 1953

Item	Dry goods	Piece goods	Footwear
Number of firms .....	56	57	23
Average net sales per firm ..... \$	1,784,628	451,151	550,191
Stock turnover (times per year) .....	4.64	3.92	5.08
	(Per cent of net sales)		
<b>Gross profit</b> .....	<b>16.01</b>	<b>16.10</b>	<b>13.51</b>
Operating expenses:			
Selling .....	4.93	4.75	3.94
Warehouse and delivery .....	2.59	2.18	2.10
Administrative and general .....	6.85	7.97	6.40
<b>Total Operating expenses</b> .....	<b>14.37</b>	<b>14.90</b>	<b>12.44</b>
<b>Net operating profit</b> .....	<b>1.64</b>	<b>1.20</b>	<b>1.07</b>
Non-trading income .....	0.82	0.57	1.31
Non-trading expense .....	0.41	0.19	0.22
<b>Net profit before income tax deduction</b> .....	<b>2.05</b>	<b>1.58</b>	<b>2.16</b>
Credit sales .....	96.70	95.26	98.03
Sales to retail stores .....	89.79	41.01	95.55

Extreme caution should be observed to avoid comparing absolute dollar values (average sales, cost of goods etc.) published in this report, with corresponding items of individual establishments or firms. These values are averages of items reported by both single and multiple establishment firms and are "firm" averages, not "establishment" averages. Consequently, a concentration of multiple establishment firms in a specific trade will result in an abnormal average for that trade. Ratios, however, may be used with a high degree of reliability when applied to either an establishment or a firm. The survey was designed primarily to obtain operating ratios to which single and multiple establishment firms might compare their operating results. Absolute values are shown only for the purpose of assisting the wholesaler to place his firm in relation to the average in the appropriate sales-size category.

Due to the peculiarities of the individual trades, 1953 average sales ranged from \$451,151 for piece goods wholesalers to \$550,191 and \$1,784,628 for footwear and dry goods wholesalers respectively. Piece goods wholesale merchants with the smallest average sales, reported the highest gross profit ratio of 16.10 per cent and also the highest total operating expense ratio of 14.90 per cent of net sales. Footwear wholesalers averaged the lowest gross profit ratio of 13.51 per cent as

well as the lowest total operating expense ratio of 12.44 per cent. Dry goods wholesalers ranked in the middle position with a gross profit of 16.01 per cent and operating expenses of 14.37 per cent, but netted the highest operating profit of 1.64 per cent of net sales. Piece goods wholesalers obtained a net operating profit of 1.20 per cent and footwear wholesalers reported a net operating profit of 1.07 per cent of their respective net sales. The inter-relationship of stock turnover rates changed from the 1951 order and showed footwear wholesalers to have the greatest 1953 rate of 5.08 times per year, when compared to dry good wholesalers and piece goods wholesalers with rates of 4.64 and 3.92 times per year respectively.

Comparison of the credit sales relationship to total sales indicated that each of the three trades sold extensively on a credit basis. Footwear wholesalers reported 98.03 per cent of total sales to be credit sales, and dry goods and piece goods wholesalers reported rates of 96.70 per cent and 95.26 per cent respectively. Sales to retailers represented 95.55 per cent of total sales of footwear wholesalers and the proportion for dry goods wholesalers was 89.79 per cent for 1953 operations. Piece goods wholesalers continued to sell a comparatively small (41.01 per cent) proportion of total sales directly to retailers.

## DRY GOODS WHOLESALERS

Of the 56 firms reporting, 43 were incorporated, and the remaining 13 were comprised of four individual proprietorships and nine partnerships. Only seven firms operated more than one establishment.

Sales to retail stores made up 89.79 per cent of total sales; the remaining 10.21 per cent was almost entirely to other wholesalers and large users.

### Description of Reporting Firms

Item	Firms with 1953 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms .....	16	13	19	8	56
Form of organization:					
Individual proprietorship .....	3	1	—	—	4
Partnership .....	4	3	2	—	9
Incorporated company .....	9	9	17	8	43
Number of firms operated as:					
Single establishment .....	16	13	17	3	49
Multiple establishment .....	—	—	2	5	7
Distribution of sales:					
To retailers .....	89.23	95.59	92.14	87.38	89.79
To other wholesalers and large users .....	10.51	4.26	6.99	10.41	8.70
To others .....	0.26	0.15	0.87	2.21	1.51

### REVIEW OF 1953 OPERATING RESULTS

#### Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1953 results with 1951, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1951 to \$1,100,000 in 1953, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales-size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be elim-

inated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

On 1953 operations dry goods wholesalers obtained a gross profit or margin of 16.01 per cent of net sales, only slightly below the 1951 ratio. This indicated that although the absolute gross profit was greater in 1953, it did not increase to the same extent as did net sales. This condition was common to all sales-size categories except the smallest which showed a ratio increase from 17.22 per cent to 18.37 per cent. Total operating expenses for all firms increased from 13.86 per cent in 1951 to 14.37 per cent in 1953. The lower gross profit ratio together with the increased expense ratio resulted in a substantial proportionate decline in the average net operating profit ratio on 1953 operations. Selling expenses remained at approximately the same level in 1953, when expressed as a proportion of net sales. Increased warehouse and delivery expenses contributed greatly to the increased costs of operations while administrative and general expenses contributed to a lesser extent. Non-trading income and expense netted an increase to the net operating profits of each size group which resulted in a ratio of net profit before income tax of 2.05 per cent for all dry goods wholesalers. Within size groups, this ratio ranged from 0.78 per cent in the smallest to 2.35 per cent in the second largest sales-size categories respectively.

TABLE 1. Operating Results of Dry Goods Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms reporting .....	16	13	19	8	56
Average net sales per firm .....	\$ 169,937	518,006	1,996,104	6,570,039	1,784,628
Average cost of goods sold .....	\$ 138,718	445,843	1,671,057	5,521,447	1,498,874
Stock turnover (times per year) .....	3.45	4.89	4.80	4.57	4.64
Average beginning inventory .....	\$ 37,027	83,804	338,478	1,139,832	307,707
Per cent of average net sales .....	21.79	16.18	16.96	17.35	17.24
Average ending inventory .....	\$ 43,471	98,688	357,485	1,274,972	338,758
Per cent of average net sales .....	25.58	19.05	17.91	19.40	18.98
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Gross profit .....	18.37	13.93	16.28	15.96	16.01
Operating expenses:					
Selling expense:					
Salaries .....	3.81	3.63	3.94	3.59	3.73
Travelling .....	2.14	0.59	0.80	0.58	0.71
Advertising .....	0.11	0.15	0.30	0.44	0.36
Other selling expense .....	0.30	0.18	0.13	0.11	0.13
Total selling expense .....	6.36	4.55	5.17	4.72	4.93
Warehouse and delivery expense:					
Salaries and wages .....	2.62	1.32	1.61	2.33	1.99
Maintenance of delivery equipment .....	0.28	0.15	0.08	0.12	0.11
Outward freight .....	0.29	0.20	0.22	0.31	0.27
Warehouse supplies .....	0.26	0.12	0.14	0.18	0.17
Other warehouse and delivery expense .....	0.02	0.04	0.05	0.06	0.05
Total warehouse and delivery expense .....	3.47	1.83	2.10	3.00	2.59
Administrative and general expense:					
Salaries .....	4.18	3.25	3.64	3.67	3.65
Employees' benefits .....	0.05	0.12	0.21	0.24	0.21
Occupancy .....	1.35	0.83	0.85	0.58	0.72
Light, heat and power .....	0.32	0.14	0.12	0.14	0.14
Taxes <sup>1</sup> .....	0.29	0.13	0.12	0.09	0.11
Insurance <sup>1</sup> .....	0.31	0.22	0.12	0.11	0.13
Office supplies .....	0.30	0.20	0.17	0.21	0.20
Communication .....	0.37	0.24	0.25	0.23	0.24
Bad debts—amount written off .....	0.37	0.46	0.31	0.11	0.21
All other expense .....	1.13	0.81	1.00	1.48	1.24
Total administrative and general expense .....	8.67	6.40	6.79	6.86	6.85
Total operating expenses .....	18.50	12.78	14.06	14.58	14.37
Net operating profit .....	0.13 <sup>2</sup>	1.15	2.22	1.38	1.64
Non-trading income .....	1.48	0.77	0.36	1.12	0.82
Non-trading expense .....	0.57	0.95	0.23	0.47	0.41
Net profit before income tax deduction .....	0.78	0.97	2.35	2.03	2.05
MISCELLANEOUS DATA					
Credit sales:					
Average per firm .....	\$ 164,499	499,306	1,924,643	6,372,281	1,725,735
Per cent of average net sales .....	96.80	96.39	96.42	96.99	96.70
Accounts outstanding:					
Average per firm .....	\$ 28,508	79,689	348,553	800,358	263,347
Per cent of average credit sales .....	17.33	15.96	18.11	12.56	15.26
Sales per 1,000 sq. ft. of floor space .....	\$ 54,028	53,550	59,490	69,546	64,184

1. Excludes amount attributed to real estate which is in occupancy expense.

2. Operating loss.



## Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms increased from 17.24 per cent at the beginning of the year to 18.98 per cent at the end of the year. This trend was common to all sale-size categories and was similar to the situation which occurred in 1951. The

rate of stock turnover-average of beginning and ending inventories divided into cost of goods sold-was 4.64 times per year for all dry goods wholesale merchants, slightly above the 1951 rate of 4.33 times per year.

## Credit Sales and Receivables

Although the firms in the smallest and second largest sale-sizes reported an increase in the 1953 proportion of credit sales to net sales, when compared to 1951, the other two groups showed slight declines. The net result was only a slight increment in the ratio from 96.65 per cent in 1951 to 96.70 per cent in 1953 for all firms. However, firms of

each sale-size averaged a higher proportion of customers' accounts outstanding at the year end in 1953 than in 1951 when related to their respective credit sales. The average relationship for all reporting firms was 15.26 per cent in 1953 compared to the ratio of 12.55 per cent derived from 1951 results.

## Regional Results

Gross trading profits of dry goods wholesalers in the four major regions of Canada ranged from 14.65 per cent of net sales in Ontario to 16.97 per cent in the Prairie Provinces. Ontario and the Prairie Provinces also showed the lowest and

highest total operating expense ratios of 13.44 per cent and 15.24 per cent respectively. Maritime and Quebec wholesalers obtained the highest net trading profit in relation to net sales with a ratio of 1.79 per cent.

TABLE 2. Operating Results of Dry Goods Wholesalers, by Regions, 1953

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms .....	19	17	15	5	56
Average net sales per firm .....\$	2,083,572	1,635,760	1,801,778	1,103,392	1,784,628
	(Per cent of net sales)				
Gross profit .....	16.29	14.65	16.97	16.17	16.01
Operating expenses:					
Selling .....	5.42	4.53	4.73	4.36	4.93
Warehouse and delivery .....	2.30	2.63	3.10	2.00	2.59
Administrative and general .....	6.78	6.28	7.41	8.38	6.90
Total operating expenses .....	14.50	13.44	15.24	14.74	14.42
Net operating profit .....	1.79	1.21	1.73	1.43	1.59



## Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 3. Average and Middle Range Ratios of Dry Goods Wholesalers, 1953

Item	Firms with 1953 sales of						Total all sizes	
	Under \$250,000		\$250,000 to \$999,999		\$1,000,000 to \$2,999,999			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	(Per cent of net sales)							
Gross Profit .....	18.4	16.0—19.1	13.9	12.0—16.3	16.3	14.4—18.8	16.0	13.5—18.4
Selling expense .....	6.4	5.0—7.1	4.5	3.1—5.2	5.2	3.4—8.0	4.9	3.9—6.3
Warehouse and delivery expense..	3.4	2.0—3.8	1.8	0.9—2.1	2.1	1.1—2.8	2.6	1.2—3.3
Administrative and general expense	8.7	7.5—9.6	6.4	5.2—8.1	6.8	5.3—7.6	6.9	5.6—8.8
Net operating profit .....	0.1 <sup>1</sup>	1.5 <sup>1</sup> —2.0	1.2	0.2—1.6	2.2	0.8—2.8	1.6	0.2—2.5

1. Operating loss.

## Incorporated Companies 1953

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax, expressed as a proportion of net sales, was 2.04 per cent and 2.05

per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 1.15 per cent a decrease of 44 per cent.

TABLE 4. Operating Results of Incorporated Dry Goods Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
	(Per cent of net sales)				
Gross profit .....	16.87	15.62	16.14	15.96	16.03
Operating expenses .....	16.94	14.42	13.99	14.58	14.40
Net operating profit .....	0.07 <sup>1</sup>	1.20	2.15	1.38	1.63
Non-trading income .....	1.79	0.74	0.35	1.12	0.83
Non-trading expense .....	0.42	1.18	0.24	0.47	0.42
Net profit before income tax deduction .....	1.30	0.76	2.26	2.03	2.04
Income tax .....	0.32	0.28	0.96	0.92	0.89
Final net profit .....	0.98	0.48	1.30	1.11	1.15

1. Operating loss.

## Comparison of 1951 and 1953 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing average data of all responding firms apply as had identical firm data been used.

TABLE 5. Operating Results of Dry Goods Wholesalers, 1951 and 1953 Compared

Item	All respondents		Identical firms	
	1951	1953	1951	1953
Number of firms .....	57	56	51	51
Average net sales per firm ..... \$	1,685,435	1,784,623	1,832,149	1,853,780
(Per cent of net sales)				
<b>Gross profit</b> .....	<b>16.96</b>	<b>16.01</b>	<b>17.00</b>	<b>15.94</b>
Operating expenses:				
Selling .....	4.94	4.93	4.93	4.81
Warehouse and delivery .....	2.22	2.59	2.18	2.61
Administrative and general .....	6.70	6.85	6.71	6.97
<b>Total operating expenses</b> .....	<b>13.86</b>	<b>14.37</b>	<b>13.82</b>	<b>14.39</b>
<b>Net operating profit</b> .....	<b>3.10</b>	<b>1.64</b>	<b>3.18</b>	<b>1.55</b>

CHART - I

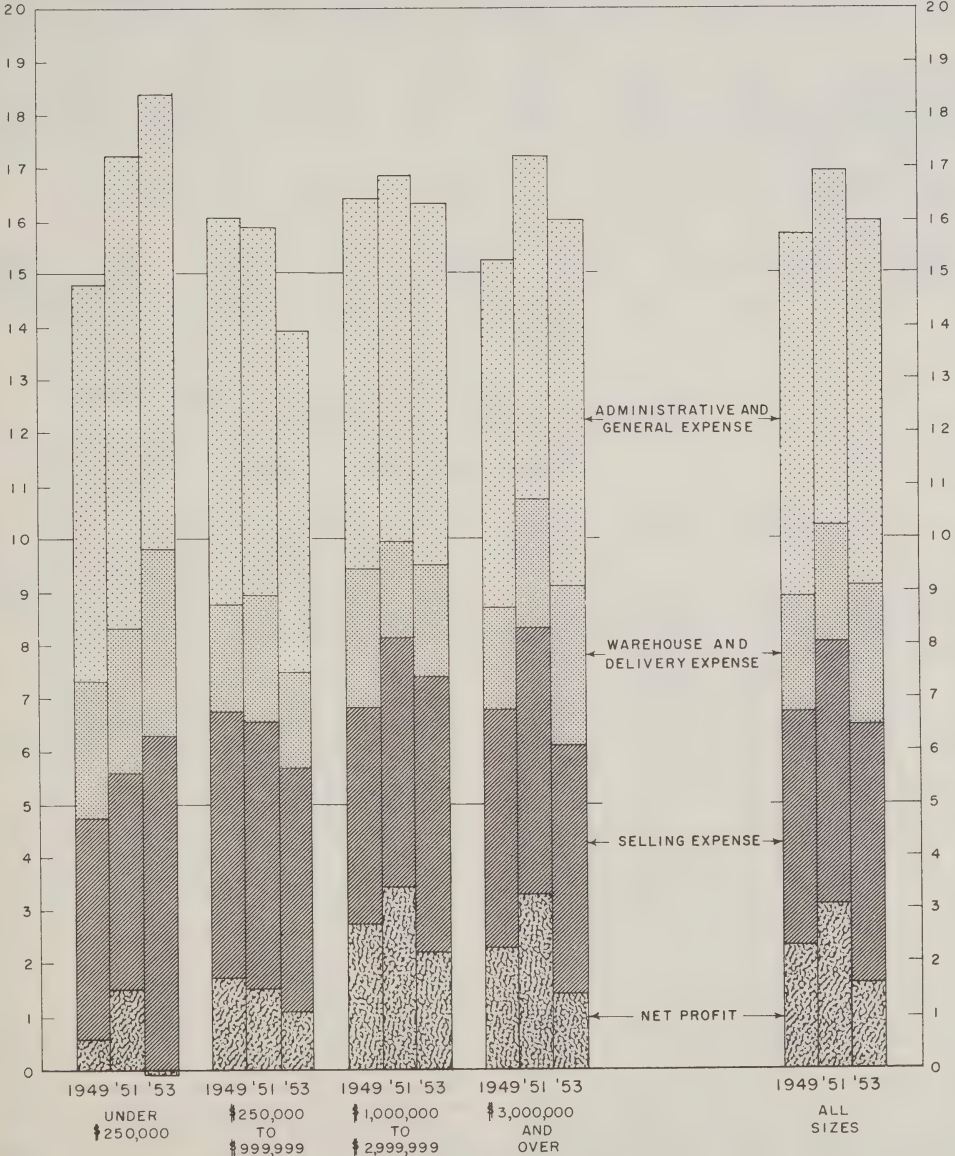
# OPERATING RESULTS OF DRY GOODS WHOLESALERS

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1949 - 1951 - 1953

% OF NET SALES

% OF NET SALES



## PIECE GOODS WHOLESALERS

Of the 57 firms reporting, 34 were incorporated and the remaining 23 were comprised of 13 partnerships and 10 single proprietorships. Only 3 operated

more than one establishment. The sales distribution ratios indicate that the greater proportion of sales was made to industrial users.

### Description of Reporting Firms

Item	Firms with 1953 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms .....	15	23	13	6	57
Form of organization:					
Individual proprietorship .....	6	2	1	1	10
Partnership .....	2	9	1	1	13
Incorporated company .....	7	12	11	4	34
Number of firms operated as:					
Single establishment .....	15	22	13	4	54
Multiple establishment .....	—	1	—	2	3
Distribution of sales:					
To retailers .....	42.80	60.76	42.95	21.27	41.01
To other wholesalers and large users .....	56.22	39.06	56.33	78.73	58.64
To others .....	0.98	0.18	0.72	—	0.35

## REVIEW OF 1953 OPERATING RESULTS

### Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1953 results with 1951, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1951 to \$1,100,000 in 1953, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis, the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales-size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of

accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Piece goods wholesale merchants obtained an average gross profit or margin of 16.10 per cent of average net sales on 1953 operations, slightly above the 1951 ratio of 15.19 per cent. This indicates that although average sales declined, the average gross profit showed a slight increase in 1953. Gross profit ratios of the typical sales-size categories ranged from 14.51 per cent to 17.50 per cent and tended to vary inversely with sales-size. Total operating expenses which average 14.90 per cent also showed a large range from 13.23 per cent to 16.17 per cent of net sales for the largest and smallest size-groups respectively. As occurred in 1951, administrative and general expenses accounted for approximately half of total operating expenses for each size category. The increased gross profit ratio failed to offset the increased operating expenses in 1953 with the result that the net operating profit ratio for all reporting firms, declined from 1.38 per cent in 1951 to 1.20 per cent in 1953. Non-trading income and expense netted an increase which resulted in a ratio of net operating profit before income tax of 1.58 per cent of net sales for 1953 operations.



TABLE 6. Operating Results of Piece Goods Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting .....	15	23	13	6	57
Average net sales per firm .....	\$ 113,714	325,424	622,400	1,405,626	451,151
Average cost of goods sold .....	\$ 93,810	270,866	517,592	1,201,700	378,525
Stock turnover (times per year) .....	3.92	4.25	2.90	5.31	3.92
Average beginning inventory .....	\$ 25,571	65,236	171,446	213,357	94,613
Per cent of average net sales .....	22.49	20.05	27.54	15.18	20.97
Average ending inventory .....	\$ 22,346	62,262	184,909	239,226	98,358
Per cent of average net sales .....	19.65	19.13	29.71	17.02	21.80
PROFIT AND LOSS DATA					
(Per cent of net sales)					
Gross profit .....	17.50	16.77	16.84	14.51	16.10
Operating expenses:					
Selling expense:					
Salaries .....	3.96	3.53	3.81	3.35	3.59
Travelling .....	0.75	0.93	0.64	0.59	0.71
Advertising .....	0.08	0.10	0.24	0.11	0.15
Other selling expense .....	0.16	0.34	0.21	0.38	0.30
Total selling expense .....	4.95	4.90	4.90	4.43	4.75
Warehouse and delivery expense:					
Salaries and wages .....	1.63	1.67	1.19	0.97	1.29
Maintenance of delivery equipment .....	0.31	0.31	0.48	0.19	0.32
Outward freight .....	0.28	0.31	0.30	0.39	0.33
Warehouse supplies .....	0.08	0.12	0.12	0.17	0.14
Other warehouse and delivery expense .....	0.23	0.06	0.09	0.13	0.10
Total warehouse and delivery expense .....	2.53	2.47	2.18	1.85	2.18
Administrative and general expense:					
Salaries .....	4.46	4.26	3.43	3.75	3.84
Employees' benefits .....	0.03	0.08	0.14	0.21	0.14
Occupancy .....	1.47	1.07	1.34	0.50	1.00
Light, heat and power .....	0.11	0.18	0.08	0.05	0.10
Taxes <sup>1</sup> .....	0.23	0.15	0.35	0.09	0.20
Insurance .....	0.30	0.30	0.30	0.16	0.26
Office supplies .....	0.30	0.24	0.12	0.17	0.18
Communication .....	0.30	0.30	0.36	0.19	0.28
Bad debts — amount written off .....	0.57	0.95	0.86	0.90	0.88
All other expense .....	0.92	1.13	1.26	0.93	1.09
Total administrative and general expense .....	8.69	8.66	8.24	6.95	7.97
Total operating expenses .....	16.17	16.03	15.32	13.23	14.90
Net operating profit .....	1.33	0.74	1.52	1.28	1.20
Non-trading income .....	0.51	0.83	0.43	0.48	0.57
Non-trading expense .....	0.03	0.34	0.16	0.11	0.19
Net profit before income tax deduction .....	1.81	1.23	1.79	1.65	1.58
MISCELLANEOUS DATA					
Credit sales:					
Average per firm .....	\$ 103,434	312,765	556,799	1,403,517	429,766
Per cent of average net sales .....	90.96	96.11	89.46	99.85	95.26
Accounts outstanding:					
Average per firm .....	\$ 15,712	50,730	81,181	197,755	64,078
Per cent of average credit sales .....	15.19	16.22	14.58	14.09	14.91
Sales per 1,000 sq. ft. of floor space .....	\$ 104,621	99,189	141,343	123,572	117,453

1. Excludes amount attributed to real estate which is in occupancy expense.

## Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 20.97 per cent at the beginning of the year to 21.80 per cent at the end of the year. This is a repetition of the 1951 trend when inventories increased from 24.02 per cent to 26.45 per cent. The rate of stock turnover—average of beginning and end of year inventories

divided into cost of goods sold—was 3.92 times per year for all firms combined. Normally, it would be expected that this ratio would increase with size of firm. However, firms in the second largest sales-size reported the lowest rate of 2.90. This was almost entirely due to the relatively large average inventories stocked by these firms.

## Credit Sales and Receivables

Average credit sales, expressed as a percentage of average net sales was 95.26 per cent for all piece goods wholesalers in 1953. This ratio ranged from 89.46 per cent in the second largest to 99.85 per cent in the largest sales-size category. Accounts

outstanding at the year end amounted to 14.91 per cent of credit sales. The highest proportion, 16.22 per cent, occurred in the second smallest size group, and the lowest, 14.09 per cent, in the largest sales-size category.

## Results of Firms Selling to Retailers and Large Users, Compared

The differences in operating results of firms selling primarily to retailers and firms selling chiefly to industry, or other large users, are revealed in the following table of comparison. In general, those firms selling to retailers experienced larger operating expenses and consequently sold at a higher gross profit or margin. The functional divisions of expense for each group were of similar

proportions of their respective total expense items. Administrative expense accounted for slightly more than half, selling expense was approximately a third, and warehouse and delivery expense comprised the remaining portion of about 15%. In the larger sales-size categories, those wholesalers selling to industry, obtained the higher net profit ratio.

**TABLE 7. Operating Results of Piece Goods Wholesalers, 1953  
Firms Selling to Retailers and to Large Users, Compared**

Item	Firms with 1953 sales of							Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over		
	50% and over to retailers	Over 50% to large users	50% and over to retailers	Over 50% to large users	50% and over to retailers	Over 50% to large users	Over 50% to large users	50% and over to retailers	Over 50% to large users
(Per cent of net sales)									
Gross profit .....	17.62	17.39	18.77	13.78	16.95	16.78	14.51	18.05	15.23
Operating expenses:									
Selling .....	4.87	5.01	5.47	4.05	5.95	4.39	4.43	5.57	4.38
Warehouse and delivery ..	2.90	2.19	3.08	1.57	3.18	1.70	1.85	3.10	1.78
Administrative and general	8.13	9.22	8.57	8.79	8.03	8.33	6.95	8.34	7.80
Total operating expenses ..	15.90	16.42	17.12	14.41	17.16	14.42	13.23	17.01	13.96
Net operating profit .....	1.72	0.97	1.65	0.63 <sup>1</sup>	0.21 <sup>1</sup>	2.36	1.28	1.04	1.27

1. Operating loss.

## Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary consi-

derably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 8. Average and Middle Range Ratios of Piece Goods Wholesalers, 1953

Item	Firms with 1953 sales of						Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999			
	Average	Middle range	Average	Middle range	Average	Middle range	Average	Middle range
	(Per cent of net sales)							
Gross profit .....	17.5	11.8—18.8	16.8	10.9—22.1	16.8	13.4—21.0	16.1	13.8—19.6
Selling expense .....	5.0	1.5— 6.8	4.9	3.0— 6.4	4.9	3.5— 6.3	4.7	3.2— 6.0
Warehouse and delivery expense .....	2.5	1.2— 3.2	2.5	1.1— 3.8	2.2	1.0— 2.7	2.2	1.2— 3.2
Administrative and general ex- pense .....	8.7	6.7—11.6	8.7	6.7—10.8	8.2	6.6—10.4	8.0	7.1—10.3
Net operating profit .....	1.3	1.7 <sup>1</sup> — 5.3	0.7	1.1 <sup>1</sup> — 3.6	1.5	0.2 <sup>1</sup> — 3.5	1.2	0.6 <sup>1</sup> — 3.3

1. Operating loss.

## Incorporated Companies 1953

Comparison of the profit and expense ratios of incorporated firms with all firms, indicated that the differences in the operating expense ratios were negligible. However, incorporated firms operated with a slightly lower gross profit ratio of 15.68 per cent as compared to 16.10 per cent for all firms. Because of the similarity of operating expense ratios, this difference takes on a larger proportion when net operating profit ratios, 0.79 per cent for

incorporated and 1.20 per cent for all firms, are compared. Although both forms of business netted a gain from non-trading activities, the incorporated firms realized a slightly smaller increase than the all firms category. Income tax reduced the incorporated firms' profit ratio before taxation of 1.01 per cent to 0.61 per cent of net sales, a decline of 40 per cent.

TABLE 9. Operating Results of Incorporated Piece Goods Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
	(Per cent of net sales)				
Gross profit .....	17.53	15.99	16.84	13.90	15.68
Operating expenses .....	16.79	15.69	16.03	12.81	14.89
Net operating profit .....	0.74	0.30	0.81	1.09	0.79
Non-trading income .....	0.66	0.59	0.36	0.09	0.33
Non-trading expense .....	0.07	0.15	0.20	—	0.11
Net profit before income tax deduction .....	1.33	0.74	0.97	1.18	1.01
Income tax .....	0.59	0.46	0.45	0.28	0.40
Final net profit .....	0.74	0.28	0.52	0.90	0.61

## Comparison of 1951 and 1953 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 10. Operating Results of Piece Goods Wholesalers 1951 and 1953 Compared

Item	All respondents		Identical firms	
	1951	1953	1951	1953
Number of firms .....	66	57	44	44
Average net sales per firm..... \$	477,331	451,151	574,322	489,456
	(Per cent of net sales)			
<b>Gross profit</b> .....	<b>15.19</b>	<b>16.10</b>	<b>14.88</b>	<b>16.42</b>
Operating expenses:				
Selling.....	4.62	4.75	4.59	4.85
Warehouse and delivery .....	1.82	2.18	1.70	2.16
Administrative and general .....	7.37	7.97	6.92	8.20
<b>Total operating expenses</b> .....	<b>13.81</b>	<b>14.90</b>	<b>13.21</b>	<b>15.21</b>
<b>Net operating profit</b> .....	<b>1.38</b>	<b>1.20</b>	<b>1.67</b>	<b>1.21</b>

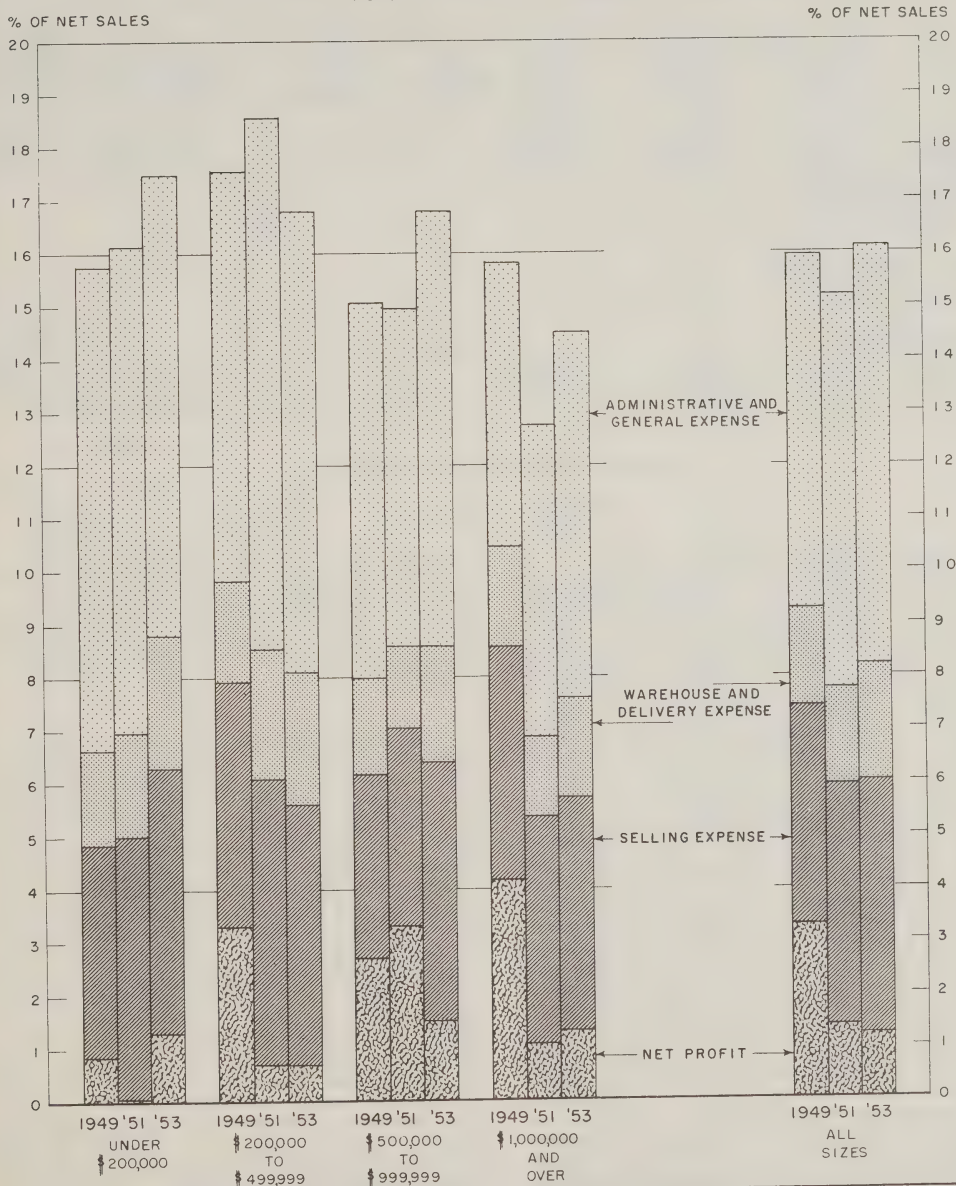


CHART-2

# OPERATING RESULTS OF PIECE GOODS WHOLESALERS

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1949 - 1951 - 1953



## FOOTWEAR WHOLESALERS

Of the 23 reporting firms, 16 were incorporated and the remaining seven were comprised of four partnerships and three individual proprietorships. All but one of the reporting firms operated only one estab-

lishment. Sales to retail stores made up 95.55 per cent of total sales. Of the remaining sales, other wholesalers and large users, such as institutions accounted for 3.95 per cent.

### Description of Reporting Firms

Item	Firms with 1953 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms .....	4	15	4	23
Form of organization:				
Individual proprietorship .....	1	2	—	3
Partnership .....	1	3	—	4
Incorporated company .....	2	10	4	16
Number of firms operated as:				
Single establishment .....	4	14	4	22
Multiple establishment .....	—	1	—	1
Distribution of sales:				
To retailers .....	100.00	91.31	98.01	95.55
To other wholesalers and large users .....	—	7.37	1.99	3.95
To others .....	—	1.32	—	0.50

### REVIEW OF 1953 OPERATING RESULTS

#### Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1953 results with 1951, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1951 to \$1,100,000 in 1953, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as

typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

The average gross profit obtained by all footwear wholesalers was 13.51 per cent of average net sales. Gross profit ratios for the three typical sales-size categories ranged from 11.69 per cent for larger firms to 15.70 per cent and 18.47 per cent for the middle and smaller size firms. Total operating expenses averages 12.44 per cent and ranged from 10.26 per cent to 15.05 per cent and 18.54 per cent, decreasing with sales-size. Net profit before income tax was 2.16 per cent for all reporting firms. For the smaller firms, which reported the largest ratios, expenses exceeded the gross profit by 0.07 per cent of net sales. This operating loss was extended further to 0.12 per cent by the additional net loss which occurred from non-trading activities. Middle sized firms reported a net operating profit of 0.65 per cent of net sales and obtained a net profit before income tax of 1.27 per cent after allowance was made for non-trading income. The larger firms obtained the highest ratio of net operating profit of 1.43 per cent which was augmented by net non-trading income to 2.92 per cent, representing the net profit before income tax deduction.

TABLE 11. Operating Results of Footwear Wholesalers, 1953, by Size of Firm

Item	Firms with 1953 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms reporting.....	4	15	4	23
Average net sales per firm..... \$	134,610	320,537	1,826,979	550,191
Average cost of goods sold..... \$	109,731	270,201	1,613,329	475,880
Stock turnover (times per year).....	3.59	3.82	6.64	5.08
Average beginning inventory..... \$	28,587	68,174	202,553	84,659
Per cent of average net sales.....	21.24	21.27	11.09	15.39
Average ending inventory..... \$	32,497	73,282	283,325	102,718
Per cent of average net sales.....	24.14	22.86	15.51	18.67
PROFIT AND LOSS DATA (Per cent of net sales)				
Gross profit.....	18.47	15.70	11.69	13.51
Operating expenses:				
Selling expenses:				
Salaries.....	3.23	3.02	2.53	2.74
Travelling.....	1.62	1.39	0.39	0.82
Advertising.....	0.02	0.15	0.20	0.17
Other selling expense.....	0.09	0.35	0.10	0.21
Total selling expense.....	4.96	4.91	3.22	3.94
Warehouse and delivery expense:				
Salaries and wages.....	1.93	1.54	0.90	1.19
Maintenance of delivery equipment.....	0.25	0.16	0.03	0.09
Outwork freight.....	0.28	0.18	0.88	0.59
Warehouse supplies.....	0.12	0.17	0.05	0.10
Other warehouse and delivery expense.....	—	0.12	0.16	0.13
Total warehouse and delivery expense.....	2.58	2.17	2.02	2.10
Administrative and general expense:				
Salaries.....	5.64	3.62	3.11	3.42
Employees' benefits.....	0.04	0.06	0.06	0.06
Occupancy.....	1.74	1.31	0.61	0.92
Light heat and power.....	0.30	0.12	0.07	0.10
Taxes <sup>1</sup> .....	0.20	0.23	0.05	0.13
Insurance <sup>1</sup> .....	0.37	0.35	0.14	0.23
Office supplies.....	0.53	0.24	0.25	0.26
Communication.....	0.51	0.24	0.09	0.16
Bad debts—amount written off.....	0.56	0.30	0.18	0.24
All other expense.....	1.11	1.50	0.46	0.88
Total administrative and general expense.....	11.00	7.97	5.02	6.40
Total operating expenses.....	18.54	15.05	10.26	12.44
Net operating profit.....	0.07 <sup>2</sup>	0.65	1.43	1.07
Non-trading income.....	0.05	0.70	1.81	1.31
Non-trading expense.....	0.10	0.08	0.32	0.22
Net profit before income tax deduction.....	0.12 <sup>2</sup>	1.27	2.92	2.16
MISCELLANEOUS DATA				
Credit sales:				
Average per firm..... \$	129,535	308,325	1,813,277	539,352
Per cent of average net sales.....	96.23	96.19	99.25	98.03
Accounts outstanding:				
Average per firm..... \$	16,296	50,750	275,074	83,653
Per cent of average credit sales.....	12.58	16.46	15.17	15.51
Sales per 1,000 sq. ft. of floor space..... \$	112,550	54,409	73,446	65,057

1. Excludes amount attributed to real estate which is in occupancy expense.

2. Operating loss.



## Inventories and Stock Turnover

Average inventories, expressed as proportions of average net sales of responding firms, increased from 15.39 per cent at the beginning of the year to 18.67 per cent at the end of the year. This trend was common to firms in each of the three sales-size

categories. The rate of stock turnover—average of beginning and year-end inventories divided into cost of goods sold—was 5.08 times per year. This ratio increased with size of firm from 3.59 to 3.82 and 6.64 for the three size-groups respectively.

## Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, was 98.03 per cent for all footwear wholesalers, an increase over the 1951 ratio of 95.34 per cent. This trend was common to each of the three sales-size categories. Accounts outstanding as at

the year end were 15.51 per cent of credit sales, a decline from the 1951 ratio of 17.21 per cent. The largest and smallest proportions, 16.46 per cent and 12.58 per cent, occurred in the middle sized and smaller firm groups.

## Comparison of 1951 and 1953 Identical Firm Results

Because there were fewer small firms reporting to the 1953 survey than to the 1951 survey, the average 1953 results took on more of the large firms' characteristics. That is, average sales were greatly increased, both gross profit and total operating expense ratios were lower and the net operating

profit ratio higher. Actually, the comparison of identical or matched firm results shows increased ratios of gross profit and total operating expenses with a net operating profit ratio of much the same order as obtained in 1951.

TABLE 12. Operating Results of Footwear Wholesalers 1951 and 1953 Compared

Item	All respondents		Identical firms	
	1951	1953	1951	1953
Number of firms .....	25	23	19	19
Average net sales per firm..... \$	369,552	550,191	435,720	440,891
	(Per cent of net sales)			
Gross profit .....	14.07	13.51	13.97	15.06
Operating expenses:				
Selling .....	4.55	3.94	4.41	5.02
Warehouse and delivery .....	2.26	2.10	2.21	2.23
Administrative and general .....	7.01	6.40	6.77	7.21
Total operating expenses .....	13.82	12.44	13.39	14.46
Net operating profit .....	0.25	1.07	0.58	0.60

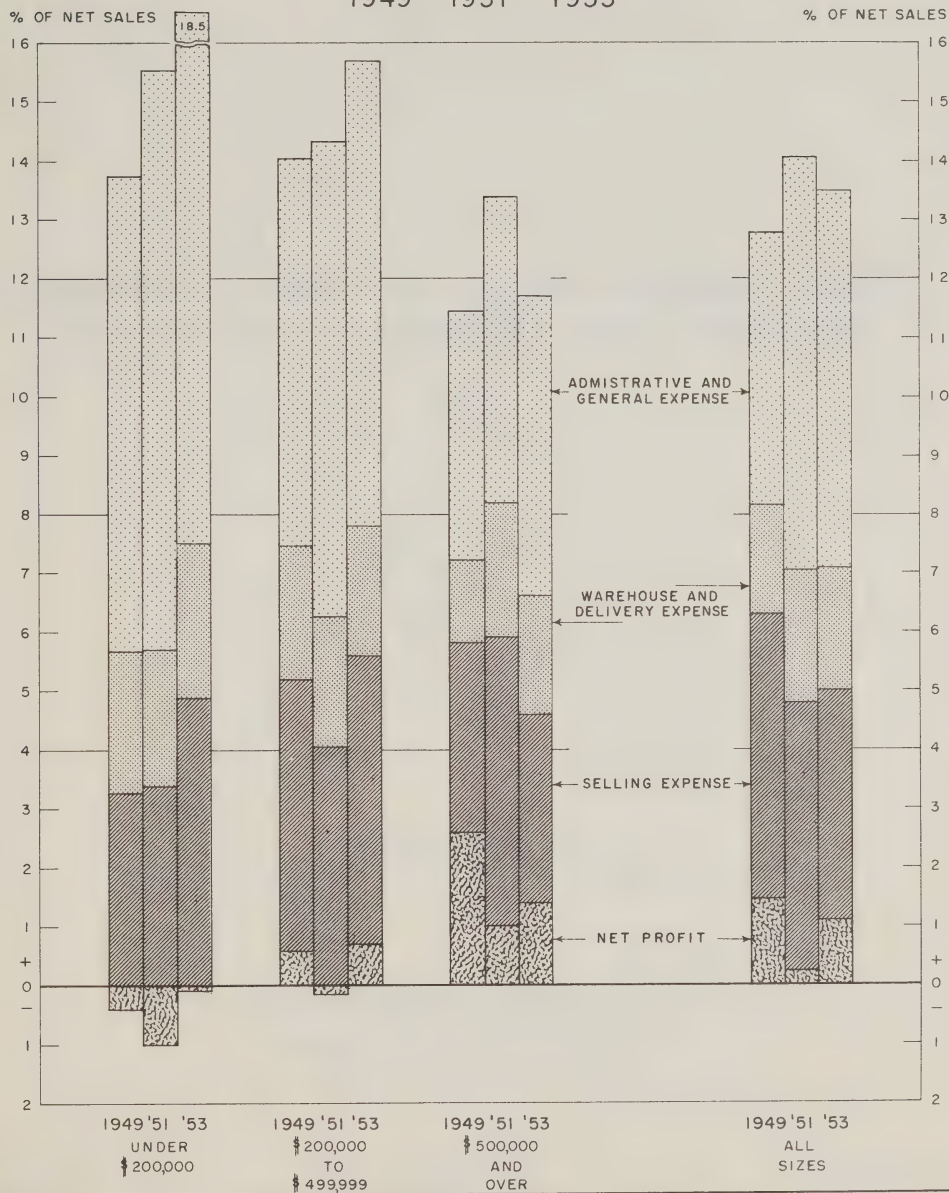


CHART-3

# OPERATING RESULTS OF FOOTWEAR WHOLESALERS

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1949 - 1951 - 1953





63-418



CANADA

OPERATING RESULTS OF DRY GOODS, PIECE  
GOODS AND FOOTWEAR WHOLESALERS  
1955



*Published by Authority of*  
The Right Honourable C. D. Howe, Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**  
Industry and Merchandising Division  
Merchandising and Services Section

## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

### Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- B — Operating Results of Food Wholesalers, 25¢
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
  - 2 Operating Results of Drug Wholesalers, 25¢
  - 3 Operating Results of Hardware Wholesalers, 25¢
  - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
  - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

### Part II — Retail Statistics

- E — General Review — (Discontinued)
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Food Store Chains, 25¢
- I — Operating Results of Clothing Store Chains, 25¢
- J — 1 Operating Results of Variety Store Chains, 25¢
  - 2 Operating Results of Drug Store Chains, 25¢
  - 3 Operating Results of Furniture Store Chains, 25¢
- \*K — Operating Results of Independent Food Stores, 25¢
- \*L — Operating Results of Independent Clothing Stores, 25¢
- \*M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
- \*N — Operating Results of Filling Stations and Garages, 25¢
- \*O — 1 Operating Results of Independent General Stores, 25¢
  - 2 Operating Results of Independent Restaurants, 25¢
  - 3 Operating Results of Independent Fuel Dealers, 25¢
  - 4 Operating Results of Independent Drug Stores, 25¢
  - 5 Operating Results of Independent Jewellery Stores, 25¢
  - 6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Credit, 25¢

### Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 10¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

\* Biennial reports — not issued for 1955.



## CONTENTS

	Page
INTRODUCTION .....	C- 5
SUMMARY BY TRADES .....	C- 7
REVIEW OF RESULT, TABLES AND CHARTS:	
Dry Goods Wholesalers .....	C- 8
Piece Goods Wholesalers .....	C-13
Footwear Wholesalers .....	C-18

### OPERATING RESULTS – LIST OF REPORTS

#### WHOLESALE TRADE (1947, 1949, 1951, 1953 and 1955)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Automotive Parts and Accessories Wholesalers
4. Drug Wholesalers
5. Hardware Wholesalers
6. Plumbing and Heating Equipment Supplies Wholesalers
7. Household Appliance and Electrical Supply Wholesalers

#### INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948, 1950, 1952 and 1954)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. General Stores
6. Restaurants
7. Fuel Dealers
8. Drug Stores
9. Jewellery Stores
10. Tobacco Stores

#### RETAIL CHAIN STORES (1947, 1949, 1951, 1953 and 1955)

1. Chain Food Stores
2. Chain Clothing Stores
3. Chain Variety Stores
4. Chain Furniture Stores
5. Chain Drugs Stores



# OPERATING RESULTS OF DRY GOODS, PIECE GOODS AND FOOTWEAR WHOLESALERS

1955

## INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

### Scope

This study is confined to wholesale merchants, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributors are not included.

### Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features included inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared although reports from Newfoundland and wholesalers are not included. Proprietors' salaries were included with administrative salaries. A table showing income tax was made for incorporated companies only.

### Purpose

The primary purpose of the operating results surveys is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

The average — i.e., arithmetic mean — operating results of all wholesalers classified under "Wholesalers Proper" would be, however, misleading as, by definition, "Wholesalers Proper" includes subsidiary companies performing the wholesaling function of parent companies whose marketing policies with regard to profit and expense ratios may be atypical of the trade. In addition, "Wholesalers Proper" includes those firms whose revenues are derived in part from a type of activity — e.g., manufacturing, retailing — which may be uncommon to the trade. Consequently, it is thought that average operating results of the more typical establishments within a trade would be of superior value in view of the purposes for which the series on operating results is designed. Firms with atypical policies and/or activities have, therefore, been excluded from the computations of the average operating results published herein.

### Period Covered

This report deals largely with 1955 operations and is the fifth biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1953 and 1955. The charts show the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classification for each trade.





## SUMMARY OF 1955 RESULTS BY TRADES

The following summary table shows the principal operating results figures for three components of the clothing wholesale business. In analyzing the performance of an individual clothing wholesale company, reference should be made to the detailed

tables in the appropriate sections of this bulletin. In these sections (dry goods, piece goods, and footwear) operating results figures for typical sales-size classifications and geographic locations are revealed.

### Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers Compared, 1955

Item	Dry goods	Piece goods	Footwear
Number of firms .....	60	61	25
Average net sales per firm ..... \$	1,438,684	457,240	799,967
Stock turnover (times per year) .....	4.41	3.64	5.09
(Items expressed as per cent of net sales)			
<b>Gross profit</b> .....	<b>16.43</b>	<b>16.44</b>	<b>16.40</b>
Operating expenses:			
Selling .....	5.18	4.85	4.45
Warehouse and delivery .....	2.96	2.33	2.85
Administrative and general .....	6.95	8.55	7.22
<b>Total Operating expenses</b> .....	<b>15.09</b>	<b>15.73</b>	<b>14.52</b>
<b>Net operating profit</b> .....	<b>1.34</b>	<b>0.71</b>	<b>1.88</b>
Non-trading income .....	0.95	0.59	0.77
Non-trading expense .....	0.40	0.11	0.26
<b>Net profit before income tax deduction</b> .....	<b>1.89</b>	<b>1.19</b>	<b>2.39</b>
Credit sales ..... %	95.70	96.09	89.74
Sales to retail stores ..... %	90.66	35.53	93.10

Extreme caution should be observed to avoid comparing absolute dollar values (average sales, cost of goods etc.) published in this report, with corresponding items of individual establishments or firms. These values are averages of items reported by both single and multiple establishment firms and are "firm" averages, not "establishment" averages. Consequently, a concentration of multiple establishment firms in a specific trade will result in an abnormal average for that trade. Ratios, however, may be used with a high degree of reliability when applied to either an establishment or a firm. The survey was designed primarily to obtain operating ratios to which single and multiple establishment firms might compare their operating results. Absolute values are shown only for the purpose of assisting the wholesaler to place his firm in relation to the average in the appropriate sales-size category.

Due to the peculiarities of the individual trades, 1955 average sales ranged from \$457,240 for piece goods wholesalers to \$799,967 and \$1,438,684 for footwear and dry goods wholesalers respectively. Piece goods wholesale merchants with the smallest average sales, reported the highest gross profit ratio of 16.44 per cent and also the highest total operating expense ratio of 15.73 per cent of net sales. Footwear wholesalers averaged the lowest gross profit ratio of 16.40 per cent as

well as the lowest total operating expense ratio of 14.52 per cent. Dry goods wholesalers ranked in the middle position with a gross profit of 16.43 per cent and operating expenses of 15.09 per cent, but netted the second highest operating profit of 1.89 per cent of net sales. Piece goods wholesalers obtained the lowest net operating profit of 1.19 per cent and footwear wholesalers reported the highest net operating profit of 2.39 per cent of their respective net sales. The interrelationship of stock turnover rates did not change from the 1953 order and showed footwear wholesalers to have the greatest 1955 rate of 5.09 times per year, when compared to dry goods wholesalers and piece goods wholesalers with rates of 4.41 and 3.64 times per year respectively.

Comparison of the credit sales relationship to total sales indicated that each of the three trades sold extensively on a credit basis. Footwear wholesalers reported 89.74 per cent of total sales to be credit sales, and dry goods and piece goods wholesalers reported rates of 95.70 per cent and 96.09 per cent respectively. Sales to retailers represented 93.10 per cent of total sales of footwear wholesalers and the proportion for dry goods wholesalers was 90.66 per cent for 1955 operations. Piece goods wholesalers continued to sell a comparatively small (35.53 per cent) proportion of total sales directly to retailers.

## DRY GOODS WHOLESALERS

Returns of 60 firms were used in this 1955 study, of which 50 were incorporated and 10 unincorporated companies. Four firms with multiple establishments reported as operating 18 establish-

ments. Sales to retail stores made up 90.66 per cent of total sales, 9.18 per cent to other wholesalers and large users and the remaining 0.16 per cent to others.

### Description of Reporting Firms

Item	Firms with 1955 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms .....	17	20	15	8	60
Form of organization:					
Individual proprietorship .....	3	1	—	—	4
Partnership .....	4	1	1	—	6
Incorporated company .....	10	18	14	8	50
Number of firms operated as:					
Single establishment .....	17	20	15	4	56
Multiple establishment .....	—	—	—	4	4
Distribution of sales:					
To retailers .....	% 82.23	% 93.71	% 91.14	% 90.19	% 90.66
To other wholesalers .....	% 2.83	% 1.82	% 1.96	% 4.86	% 3.56
To large users <sup>1</sup> .....	% 12.40	% 4.39	% 6.89	% 4.79	% 5.62
To others .....	% 2.54	% 0.08	% 0.01	% 0.16	% 0.16

1. Industries, hospitals, institutions, etc.

### REVIEW OF 1955 OPERATING RESULTS

#### Profit and Expense Ratios

Dry goods wholesalers realized a gross profit on their 1955 operations of 16.43 per cent of net sales. The smaller businesses showed slightly higher gross profit ratios than the two largest sales-size groups, ranging from 17.78 per cent to 16.35 per cent. Total operating expenses of 15.09 per cent left a net operating profit of 1.34 per cent. Other income and expense increased this to a net profit of 1.89 per cent before income tax deduction.

Generally operating expenses decreased in ratio as sales size increased. The smallest size class operated at a loss in 1955 while the other three groups were almost identical in ratio of final net profit.

#### Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms increased from 18.85 per cent at the beginning of the year to

19.06 per cent at the end of the year. This was due to the increases registered in the two largest sales-size categories, which counteracted the decreases of the two smallest sales-size groups. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 4.41 times per year for all wholesale dry goods merchants, slightly below the 1953 rate of 4.64 times per year.

#### Credit Sales and Receivables

The proportion of credit sales to net sales decreased from 96.70 per cent in 1953 to 95.70 per cent in 1955. This was consistent for each sales-size group which also showed ascending rates with sales sizes, from 92.06 for the smallest group to 96.65 for the largest category. Accounts receivable at the year end when related to their respective credit sales for each sales-size class averaged a higher proportion in 1955, (17.30 per cent compared to 15.26 per cent in 1953).

TABLE 1. Operating Results of Dry Goods Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms reporting .....	17	20	15	8	60
Average net sales per firm .....	\$ 132,538	453,384	1,840,321	5,924,425	1,438,684
Average cost of goods sold .....	\$ 108,974	377,597	1,539,349	4,955,607	1,202,327
Stock turnover (times per year) .....	3.08	4.73	4.53	4.37	4.41
Average beginning inventory .....	\$ 35,704	80,777	336,817	1,124,152	271,133
Per cent of average net sales .....	26.94	17.82	18.30	18.97	18.85
Average ending inventory .....	\$ 35,123	78,766	342,963	1,142,511	274,282
Per cent of average net sales .....	26.50	17.37	18.64	19.28	19.06
PROFIT AND LOSS DATA (Per cent of net sales)					
Gross profit .....	17.78	16.71	16.35	16.35	16.43
Operating expenses:					
Selling expense:					
Salaries .....	4.58	4.37	3.81	3.81	3.89
Travelling .....	2.25	0.61	0.79	0.63	0.73
Advertising .....	0.21	0.23	0.30	0.43	0.36
Other selling expense .....	0.07	0.34	0.15	0.22	0.20
Total selling expense .....	7.11	5.55	5.05	5.09	5.18
Warehouse and delivery expense:					
Salaries and wages .....	2.71	1.84	2.14	2.45	2.29
Maintenance of delivery equipment .....	0.44	0.11	0.11	0.09	0.11
Outward freight .....	0.31	0.25	0.25	0.34	0.30
Warehouse supplies .....	0.28	0.15	0.16	0.18	0.18
Other warehouse and delivery expense .....	0.05	0.16	0.05	0.09	0.08
Total warehouse and delivery expense .....	3.79	2.51	2.71	3.15	2.96
Administrative and general expense:					
Salaries .....	4.68	3.44	3.54	3.66	3.62
Employees' benefits .....	0.11	0.20	0.24	0.26	0.24
Occupancy .....	2.31	1.22	1.08	0.86	1.01
Taxes <sup>1</sup> .....	0.23	0.13	0.16	0.13	0.14
Insurance <sup>1</sup> .....	0.52	0.21	0.13	0.09	0.13
Office supplies .....	0.42	0.27	0.18	0.19	0.20
Communication .....	0.39	0.29	0.26	0.26	0.26
Bad debts — amount written off .....	0.68	0.49	0.38	0.17	0.29
All other expense .....	1.28	1.05	1.12	1.02	1.06
Total administrative and general expense .....	10.62	7.30	7.09	6.64	6.95
Total operating expenses .....	21.52	15.36	14.85	14.88	15.09
Net operating profit .....	3.74 <sup>2</sup>	1.35	1.50	1.47	1.34
Non-trading income .....	1.96	1.23	0.83	0.91	.95
Non-trading expense .....	0.29	0.59	0.31	0.41	.40
Net profit before income tax deduction .....	2.07 <sup>2</sup>	1.99	2.02	1.97	1.89
MISCELLANEOUS DATA					
Credit sales:					
Average per firm .....	\$ 122,021	427,900	1,745,195	5,725,680	1,376,929
Per cent of average net sales .....	92.06	94.38	94.83	96.65	95.70
Accounts outstanding:					
Average per firm .....	\$ 24,334	84,717	332,603	899,304	238,191
Per cent of average credit sales .....	19.94	19.80	19.06	15.71	17.30
Sales per 1,000 sq. ft. of floor space .....	\$ 39,546	45,880	52,232	54,957	52,458

1. Excludes amount attributed to real estate which is in occupancy expense.

2. Operating loss.



## Regional Results

The following table presents operating results for the four selected areas. The average gross trading profits of dry goods wholesalers in relation to net sales ranged from 14.70 per cent in Ontario to 17.53 per cent in the Prairie Provinces. The highest and lowest ratios for total operating expenses were

respectively 16.19 per cent for Prairie Provinces and 14.02 per cent for Ontario. The remaining and resulting major item, net operating profit, showed British Columbia with the highest ratio of 2.13 per cent and Ontario the lowest with 0.68 per cent.

TABLE 2. Operating Results of Dry Goods Wholesalers, by Regions, 1955

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms .....	18	22	16	4	60
Average net sales per firm ..... \$	2, 001, 256	1, 100, 843	1, 322, 200	1, 231, 170	1, 438, 684
(Per cent of net sales)					
Gross profit .....	16.82	14.70	17.53	17.29	16.43
Operating expenses:					
Selling .....	5.69	4.39	5.41	4.28	5.18
Warehouse and delivery .....	2.88	3.49	2.64	2.34	2.96
Administrative and general .....	6.59	6.14	8.14	8.54	6.95
Total operating expenses .....	15.16	14.02	16.19	15.16	15.09
Net operating profit .....	1.66	0.68	1.34	2.13	1.34

## Incorporated Companies 1955

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax, expressed as a proportion of net sales, was 1.92 per cent and 1.89 per

cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 1.29 per cent, a decrease of 32.81 per cent.

TABLE 3. Operating Results of Incorporated Dry Goods Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
	(Per cent of net sales)				
Gross profit.....	16.98	16.85	16.16	16.35	16.35
Operating expenses .....	22.50	15.52	14.64	14.88	14.98
Net operating profit .....	5.52 <sup>1</sup>	1.33	1.52	1.47	1.37
Non-trading income .....	2.98	1.35	0.84	0.91	0.96
Non-trading expense .....	0.18	0.65	0.33	0.41	0.41
Net profit before income tax deduction.....	2.72 <sup>1</sup>	2.03	2.03	1.97	1.92
Income tax .....	0.12	0.40	0.67	0.67	0.63
Final net profit.....	2.84 <sup>1</sup>	1.63	1.36	1.30	1.29

1. Operating loss.



## Comparison of 1953 and 1955 Results

Results of the 60 firms reporting in 1955 are the best available for that year, and are shown in table 1. Firms reporting and used in 1955 were not identical with the firms used in 1953, so consistency was not attained; this partly accounts for changes in ratios between the two surveys. For best comparison, however, results of identical firms are used, numbering 47 in all and are presented in table 4.

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955 and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%,

the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Average net sales decreased to \$1,739,866 in 1955 from \$1,925,741 in 1953. Average gross profit ratio for dry goods wholesalers increased from 15.87 per cent in 1953 to 16.45 per cent in 1955. The expense ratio also increased, but at a slightly faster pace, from 14.36 per cent in 1953 to 15.03 per cent in 1955. The result was a decrease in net operating profit in 1955 to 1.42 per cent of net sales from 1.51 per cent in 1953.

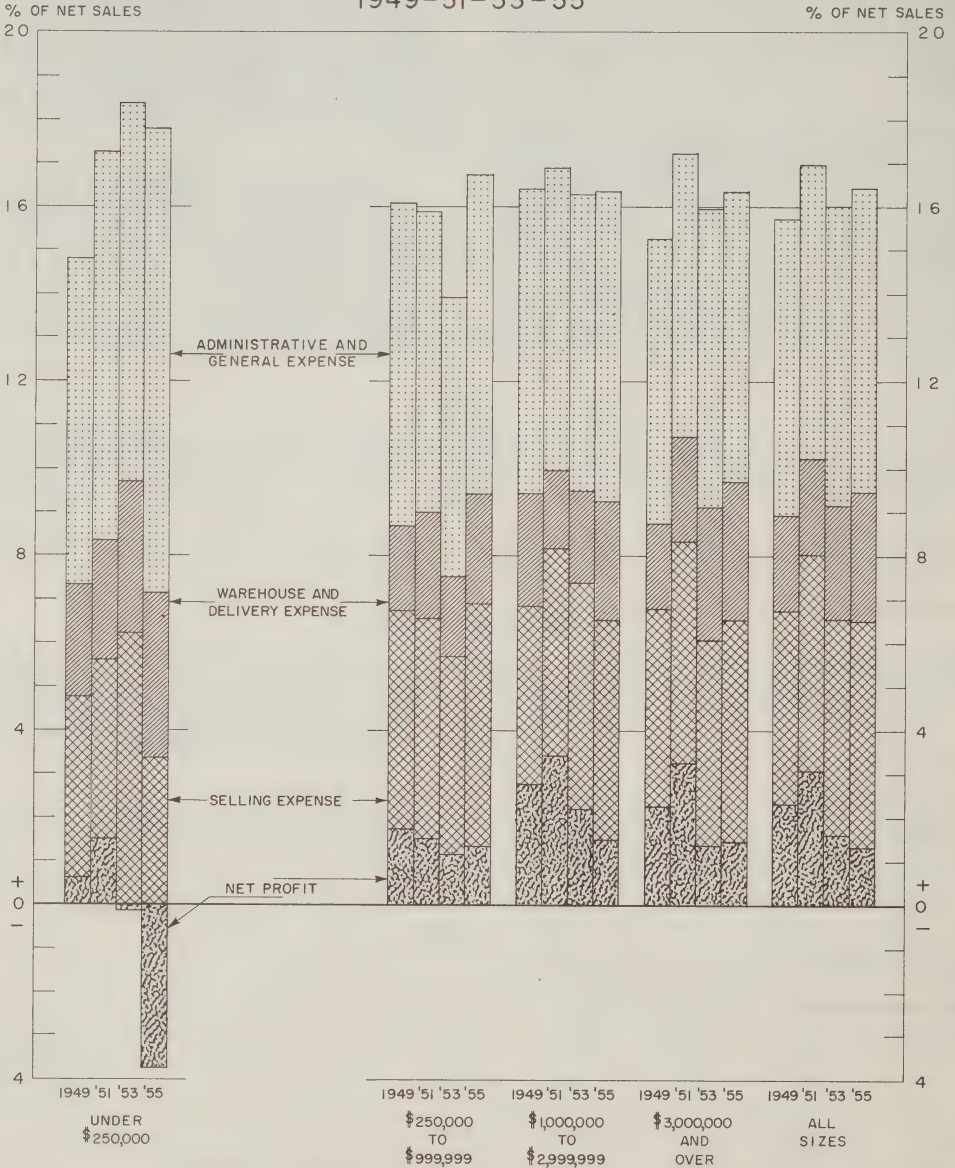
TABLE 4. Operating Results of Dry Goods Wholesalers, 1953 and 1955 Compared

Item	1953	1955
Number of firms .....	47	47
Average net sales per firm ..... \$	1,925,741	1,739,866
	(Per cent of net sales)	
Gross profit .....	15.87	16.45
Operating expenses:		
Selling .....	4.75	5.15
Warehouse and delivery .....	2.65	2.97
Administrative and general .....	6.96	6.91
Total operating expenses .....	14.36	15.03
Net operating profit .....	1.51	1.42

# OPERATING RESULTS OF DRY GOODS WHOLESALERS BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1949-51-53-55



## PIECE GOODS WHOLESALERS

Of the 61 firms reporting in 1955, 45 were incorporated and the remaining 16 were comprised of 10 partnerships and 6 single proprietorships.

Most firms operated only one establishment. The sales distribution ratios indicate that the greater proportion of sales was made to industrial users.

### Description of Reporting Firms

Item	Firms with 1955 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms .....	20	22	14	5	61
Form of organization:					
Individual proprietorship .....	4	1	—	1	6
Partnership .....	3	4	3	—	10
Incorporated company .....	13	17	11	4	45
Distribution of sales:					
To retailers .....	% 49.62	% 40.46	% 37.23	% 24.40	% 35.53
To wholesalers .....	% 8.58	% 11.26	% 28.92	% 4.91	% 14.90
To large users <sup>1</sup> .....	% 41.45	% 48.23	% 32.83	% 70.69	% 49.20
To others .....	% 0.35	% 0.05	% 1.02	% —	% 0.37

1. Industries, hospitals, institutions, etc.

### REVIEW OF 1955 OPERATING RESULTS

#### Profit and Expense Ratios

Wholesalers of piece goods reported gross profit ratios ranging from 21.34 per cent for the smallest sales-size category to 14.48 per cent for the firms with annual net sales greater than \$1,000,000. The average gross profit of 16.44 per cent for all firms was reduced to a net profit of 0.71 per cent by operating expenses of 15.73 per cent. The smallest sales-size group had expenses in excess of gross profit with a resulting loss on operations of 0.11 per cent. Other income exceeded non-trading expense to give a net profit before income tax deduction of 1.19 per cent for total all sizes.

#### Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased slightly in 1955, from 22.68 per cent at the beginning of the year to

23.22 per cent at the end of the year. The rate of stock turnover for all firms — average of beginning and end of year inventories divided into cost of goods sold — was 3.64 times per year. This was a drop from 3.92 times per year in 1953. As normally expected, rates of turnover increased with size of firms, ranging from 3.00 to 5.01 times per year.

#### Credit Sales and Receivables

Average credit sales, expressed as a percentage of average net sales was 96.09 per cent for all piece goods wholesalers in 1955. The range was 93.58 per cent for the "\$200,000 to \$499,999" sales-size class and 97.67 per cent for the next largest group. Accounts receivable ratio (per cent to credit sales) at the end of the year was 16.63 with a range of 14.71 per cent to 22.00 per cent for the different categories. Both credit sales' and receivables' ratios increased in 1955 over the 1953.

TABLE 5. Operating Results of Piece Goods Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting.....	20	22	14	5	61
Average net sales per firm..... \$	130,512	361,724	649,914	1,644,933	457,240
Average cost of goods sold..... \$	102,659	303,476	538,691	1,406,723	382,048
Stock turnover (times per year).....	3.00	3.06	3.54	5.01	3.64
Average beginning inventory..... \$	32,850	99,188	155,285	262,849	103,727
Per cent of average net sales.....	25.17	27.42	23.89	15.98	22.68
Average ending inventory..... \$	35,530	99,240	149,098	298,892	106,159
Per cent of average net sales.....	27.22	27.44	22.94	18.17	23.22
PROFIT AND LOSS DATA (Per cent of net sales)					
Gross profit.....	21.34	16.10	17.11	14.48	16.44
Operating expenses:					
Selling expense:					
Salaries.....	4.90	2.84	3.28	3.83	3.47
Travelling.....	1.07	0.83	0.74	0.80	0.81
Advertising.....	0.19	0.22	0.12	0.22	0.19
Other selling expense.....	0.29	0.49	0.14	0.58	0.38
Total selling expense.....	6.45	4.38	4.28	5.43	4.85
Warehouse and delivery expense:					
Salaries and wages.....	2.26	1.22	1.55	1.28	1.45
Maintenance of delivery equipment.....	0.53	0.21	0.44	0.17	0.30
Outward freight.....	0.25	0.23	0.29	0.37	0.29
Warehouse supplies.....	0.14	0.15	0.17	0.21	0.17
Other warehouse and delivery expense.....	0.10	0.04	0.14	0.17	0.12
Total warehouse and delivery expense.....	3.28	1.85	2.59	2.20	2.33
Administrative and general expense:					
Salaries.....	5.55	4.49	3.97	3.37	4.09
Employees' benefits.....	0.12	0.19	0.12	0.24	0.18
Occupancy.....	2.09	1.34	1.21	0.74	1.19
Taxes <sup>1</sup> .....	0.30	0.19	0.17	0.10	0.17
Insurance <sup>1</sup> .....	0.39	0.31	0.14	0.14	0.21
Office supplies.....	0.35	0.27	0.18	0.15	0.21
Communication.....	0.52	0.28	0.30	0.26	0.30
Bad debts—amount written off.....	0.52	0.86	0.58	0.52	0.64
All other expense.....	1.88	1.42	1.93	1.19	1.56
Total administrative and general expense.....	11.72	9.35	8.60	6.71	8.55
Total operating expenses.....	21.45	15.58	15.47	14.34	15.73
Net operating profit.....	0.11 <sup>2</sup>	0.52	1.64	0.14	0.71
Non-trading income.....	1.31	0.46	0.40	0.68	0.59
Non-trading expense.....	—	0.19	0.19	—	0.11
Net profit before income tax deduction.....	1.20	0.79	1.85	0.82	1.19
MISCELLANEOUS DATA					
Credit sales:					
Average per firm..... \$	124,222	338,491	634,764	1,596,927	439,386
Per cent of average net sales.....	95.18	93.58	97.67	97.08	96.09
Accounts outstanding:					
Average per firm..... \$	27,334	56,094	93,388	273,983	73,084
Per cent of average credit sales.....	22.00	16.57	14.71	17.16	16.63
Sales per 1,000 sq. ft. of floor space..... \$	66,588	77,756	105,371	180,762	102,020

1. Excludes amount attributed to real estate which is in occupancy expense.

2. Operating loss.



## Results of Firms Selling to Retailers and to Combined Wholesalers and Large Users, Compared

The differences in operating results of firms selling primarily to retailers and firms selling chiefly to wholesalers and large users combined, are revealed in the following table of comparison. Total all firms selling principally to retailers experienced larger operating expenses and consequently sold at a higher gross profit or margin.

Administrative and general expense generally accounted for more than half of total expenses, selling expense was approximately a third, and warehouse and delivery expense comprised the remaining portion. On the average, wholesalers selling to wholesalers and large users obtained the higher net profit ratio.

**TABLE 6. Operating Results of Piece Goods Wholesalers, 1955**  
Firms Selling to Retailers and to Wholesalers and Large Users, Compared

Item	Firms with 1955 sales of							Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over		
	50% and over to retailers	Over 50% to wholesalers and large users <sup>1</sup>	50% and over to retailers	Over 50% to wholesalers and large users <sup>1</sup>	50% and over to retailers	Over 50% to wholesalers and large users <sup>1</sup>	Over 50% to wholesalers and large users <sup>1</sup>	50% and over to retailers	Over 50% to wholesalers and large users <sup>1</sup>
(Per cent of net sales)									
Gross profit .....	19.88	22.83	18.59	14.48	16.32	17.47	14.61	17.17	16.05
Operating expenses:									
Selling.....	5.58	7.33	4.75	4.14	4.01	4.45	5.45	4.71	4.93
Warehouse and delivery..	3.60	2.96	2.09	1.68	2.44	2.69	1.81	2.70	2.13
Administrative and general	9.55	13.92	11.38	8.04	8.49	8.66	6.71	9.23	8.18
Total operating expenses....	18.73	24.21	18.22	13.86	14.94	15.80	13.97	16.64	15.24
Net operating profit.....	1.15	1.38 <sup>2</sup>	0.37	0.62	1.58	1.67	0.64	0.53	0.81

1. Large users: industries, hospitals, institutions, etc.

2. Operating loss.

## Incorporated Companies 1955

Comparison of the profit and expense ratios of incorporated firms with all firms, indicated that the differences in the operating expense ratios were negligible. However, incorporated firms operated with a slightly lower gross profit ratio of 16.21 per cent as compared to 16.44 per cent for all firms. Total operating expense ratio showed a slightly larger decrease, increasing the net operating profit from 0.71 per cent for

all firms to 0.88 per cent for incorporated companies.

Although both forms of business netted a gain from non-trading activities, the incorporated firms realized a slightly smaller increase than the all firms category. Income tax reduced the incorporated firms' profit ratio before taxation of 1.09 per cent to 0.77 per cent of net sales, a decline of 29.36 per cent.

**TABLE 7. Operating Results of Incorporated Piece Goods Wholesalers, 1955, by Size of Firm**

Item	Firms with 1955 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
	(Per cent of net sales)				
Gross profit .....	19.99	16.31	16.62	14.61	16.21
Operating expenses.....	19.82	15.54	15.26	13.97	15.33
Net operating profit.....	0.17	0.77	1.36	0.64	0.88
Non-trading income.....	0.97	0.37	0.39	0.08	0.34
Non-trading expense .....	—	0.21	0.23	—	0.13
Net profit before income tax deduction .....	1.14	0.93	1.52	0.72	1.09
Income tax .....	0.37	0.26	0.46	0.20	0.32
Final net profit .....	0.77	0.67	1.06	0.52	0.77

## Comparison of 1953 and 1955 Results

The best available ratios for 1955 appear in table 5, data being supplied by 61 firms. While the information obtained gives reliable current ratios it loses significance for comparative purposes with the 1953 survey through inconsistency of reporting. For best comparison, therefore, only the results of firms reporting for the two survey years are used. Table 8 shows the results of 44 identical firms.

Profit and expense ratios represent portions of the average net sales' dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years

correctly, it is therefore necessary to note changes in net sales. Averages are shown only to indicate central tendency in sales-size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Annual net sales decreased from \$23,212,047 in 1953 to \$21,228,348 in 1955. Gross profit ratio decreased from 16.30 per cent in 1953 to 16.17 per cent in 1955. This initial decrease in marginal profit coupled with an increase in total operating expenses from 14.99 per cent in 1953 to 15.66 per cent resulted in a sizeable decrease in net operating profit. The net operating profit ratios were 1.31 per cent in 1953 and 0.51 per cent in 1955.

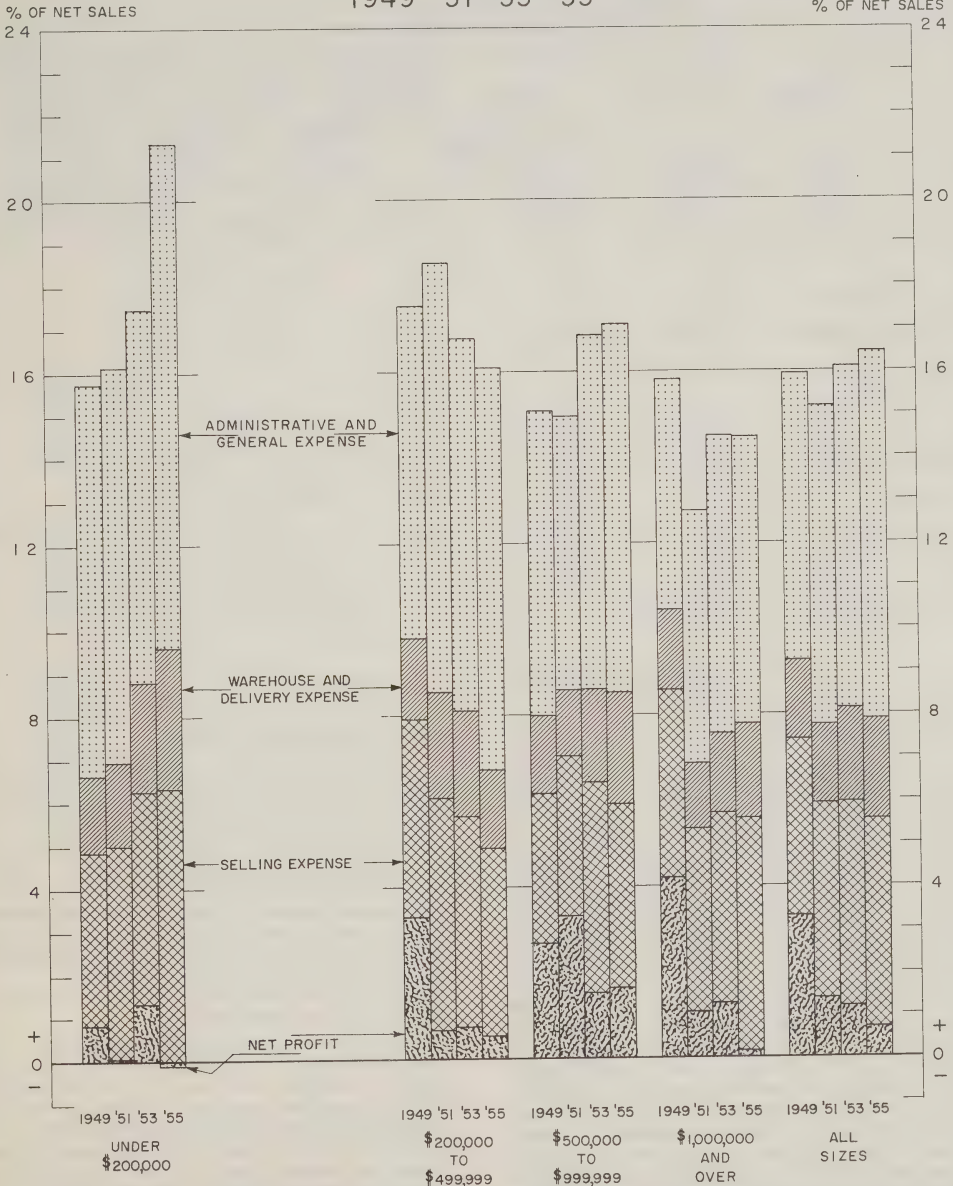
TABLE 8. Operating Results of Piece Goods Wholesalers 1953 and 1955 Compared

Item	1953	1955
Number of firms .....	44	44
<i>Total</i> Average net sales per firm ..... \$	23, 212, 047	21, 228, 348
(Percent of net sales)		
Gross profit .....	16.30	16.17
Operating expenses:		
Selling .....	4.85	4.83
Warehouse and delivery .....	2.21	2.45
Administrative and general .....	7.93	8.38
Total operating expenses .....	14.99	15.66
Net operating profit .....	1.31	0.51

# OPERATING RESULTS OF PIECE GOODS WHOLESALERS BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1949-51-53-55





## FOOTWEAR WHOLESALERS

Firms reporting in this trade group numbered 25, all of which were single establishments. Unincorporated firms, 5 in all, appeared only in the two smaller sales sizes. Sales to retail stores accounted

for 93.10 per cent of total sales; wholesalers and large users accounted for the remaining sales, 6.90 per cent.

### Description of Reporting Firms

Item	Firms with 1955 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms .....	7	14	4	25
Form of organization:				
Individual proprietorship .....	2	2	—	4
Partnership .....	—	1	—	1
Incorporated company .....	5	11	4	20
Distribution of sales:				
To retailers .....	98.99	90.99	93.39	93.10
To wholesalers .....	1.01	5.51	6.11	5.76
To large users <sup>1</sup> .....	—	3.50	0.50	1.14

1. Industries, hospitals, institutions etc.

### REVIEW OF 1955 OPERATING RESULTS

#### Profit and Expense Ratios

The average gross profit for all sizes of footwear wholesalers was 16.40 per cent of average net sales. The total operating expense ratio of 14.52 per cent reduced the gross profit to a net profit of 1.88 per cent. The sales-size category "\$500,000 and over" had the highest net operating profit (2.25 per cent); this was due mainly to the lowest expense ratio of the three groups (14.20 per cent) deducted from 16.45 per cent gross profit. The \$200,000 to \$499,999 sales category obtained the lowest gross profit, 15.75 per cent, only 0.85 per cent larger than the total expense ratio of 14.90 per cent. The spread between the gross profit and total expense ratios for the "Under \$200,000" sales-size group was even smaller, leaving a net operating profit of only 0.75 per cent, between the ratios 19.00 and 18.25 per cent respectively. Non-trading activities showed a profit for the larger sales-size group, increasing the 2.25 per cent net operating profit to a net profit before income tax of 2.99. The same activity for the other two sales sizes decreased the net operating profit slightly.

#### Inventories and Stock Turnover

Average inventories, expressed as proportions of average net sales of responding firms, increased in 1955 from 15.68 per cent at the beginning of the year to 17.15 per cent at the end of the year. The only group showing a decrease in inventories for the period was "Under \$200,000" with a 5.45 per cent decline. The rate of stock turnover — average of beginning and year-end inventories divided into cost of goods sold — was 5.09 times per year. The stock turnover rates increased with size classifications, ranging from 3.88 to 5.56 times per year.

#### Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, were 89.74 per cent for all footwear wholesalers, a decrease from the 1953 survey ratio of 98.03 per cent. The range by size classes was from 87.48 to 96.38 per cent. Accounts receivable as at the end of the year were 16.37 per cent of credit sales, an increase from the 1953 ratio of 15.51 per cent. The smallest sales-size category had the highest ratio (23.48 per cent) while the largest group had the lowest ratio (14.48 per cent).



TABLE 9. Operating Results of Footwear Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
Number of firms reporting .....	7	14	4	25
Average net sales per firm ..... \$	122, 390	314, 500	3, 684, 862	799, 967
Average cost of goods sold ..... \$	99, 140	264, 980	3, 078, 680	668, 736
Stock turnover (times per year) .....	3. 88	4. 18	5. 56	5. 09
Average beginning inventory ..... \$	28, 901	59, 934	523, 817	125, 466
Per cent of average net sales .....	23. 61	19. 06	14. 21	15. 68
Average ending inventory ..... \$	22, 223	66, 819	584, 548	137, 169
Per cent of average net sales .....	18. 16	21. 25	15. 86	17. 15
PROFIT AND LOSS DATA (Per cent of net sales)				
Gross profit .....	19. 00	15. 75	16. 45	16. 40
Operating expenses:				
Selling expense:				
Salaries .....	3. 75	2. 66	3. 51	3. 33
Travelling .....	1. 13	1. 45	0. 50	0. 74
Advertising .....	0. 18	0. 17	0. 25	0. 23
Other selling expense .....	0. 31	0. 11	0. 15	0. 15
Total selling expense .....	5. 37	4. 39	4. 41	4. 45
Warehouse and delivery expense:				
Salaries and wages .....	1. 69	1. 71	1. 39	1. 47
Maintenance of delivery equipment .....	0. 53	0. 30	0. 10	0. 16
Outward freight .....	0. 86	0. 25	1. 15	0. 94
Warehouse supplies .....	0. 11	0. 13	0. 08	0. 09
Other warehouse and delivery expense .....	—	0. 09	0. 23	0. 19
Total warehouse and delivery expense ....	3. 19	2. 48	2. 95	2. 85
Administrative and general expense:				
Salaries .....	5. 19	4. 26	4. 36	4. 37
Employees' benefits .....	0. 24	0. 07	0. 09	0. 09
Occupancy .....	1. 71	1. 46	0. 91	1. 06
Taxes <sup>1</sup> .....	0. 36	0. 13	0. 06	0. 09
Insurance <sup>1</sup> .....	0. 46	0. 26	0. 18	0. 21
Office supplies .....	0. 25	0. 15	0. 36	0. 31
Communications .....	0. 18	0. 31	0. 11	0. 16
Bad debts—amount written off .....	0. 68	0. 38	0. 22	0. 27
All other expense .....	0. 62	1. 01	0. 55	0. 65
Total administrative and general expense	9. 69	8. 03	6. 84	7. 22
Total operating expenses .....	18. 25	14. 90	14. 20	14. 52
Net operating profit .....	0. 75	0. 85	2. 25	1. 88
Non-trading income .....	0. 59	0. 19	0. 95	0. 77
Non-trading expense .....	0. 64	0. 32	0. 21	0. 26
Net profit before income tax deduction .....	0. 70	0. 72	2. 99	2. 39
MISCELLANEOUS DATA				
Credit sales:				
Average per firm ..... \$	115, 570	303, 128	3, 223, 548	717, 879
Per cent of average net sales .....	94. 43	96. 38	87. 48	89. 74
Accounts outstanding:				
Average per firm ..... \$	27, 140	62, 987	466, 643	117, 535
Per cent of average credit sales .....	23. 48	20. 78	14. 48	16. 37
Sales per 1,000 sq. ft. of floor space ..... \$	60, 333	58, 241	60, 907	60, 275

1. Excludes amount attributed to real estate which is in occupancy expense.

## Incorporated Companies 1955

Incorporated firms showed a higher gross profit ratio and also a higher total operating expense ratio compared to "all firms" results. Total all sizes for "incorporated" and "all firms" ratios were very similar as a result of the influence of "\$500,000

and over" sales-size group which was comprised of incorporated firms only. The "under \$200,000" category after the exclusion of unincorporated firms showed an operating loss.

TABLE 10. Operating Results of Incorporated Footwear Wholesalers, 1955, by Size of Firm

Item	Firms with 1955 sales of			Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 and over	
	(Per cent of net sales)			
Gross profit .....	19. 63	16. 42	16. 45	16. 55
Operating expenses .....	20. 23	15. 86	14. 20	14. 69
Net operating profit .....	0. 60 <sup>1</sup>	0. 56	2. 25	1. 86
Non-trading income .....	0. 54	0. 23	0. 95	0. 80
Non-trading expense .....	0. 46	0. 43	0. 21	0. 26
Net profit before income tax deduction .....	0. 52 <sup>1</sup>	0. 36	2. 99	2. 40
Income tax .....	0. 13 <sup>1</sup>	0. 20	1. 30	1. 06
Final net profit .....	0. 65 <sup>1</sup>	0. 16	1. 69	1. 34

1. Operating loss.

## Comparison of 1953 and 1955 Results

Combined results of 25 firms are presented in table 9, being the best ratios available for 1955. Consistency in reporting between years is not achieved, and as a result data published for the two years are not for identical firms. For best comparison of changes between 1953 and 1955 the results of 19 firms reporting for both years were tabulated. These comparisons appear in the following table.

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. That is, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than

10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Average net sales decreased in 1955 to \$524,944 from \$557,646 in 1953. The gross profit ratio was slightly lower at 13.32 per cent in 1955 compared to 13.36 per cent in 1953. This decrease coupled with an increase in total operating expenses (12.06 per cent in 1955 from 12.00 per cent in 1953), resulted in a smaller net profit. In 1955, the net operating profit stood at 1.26 from 1.36 per cent in 1953.

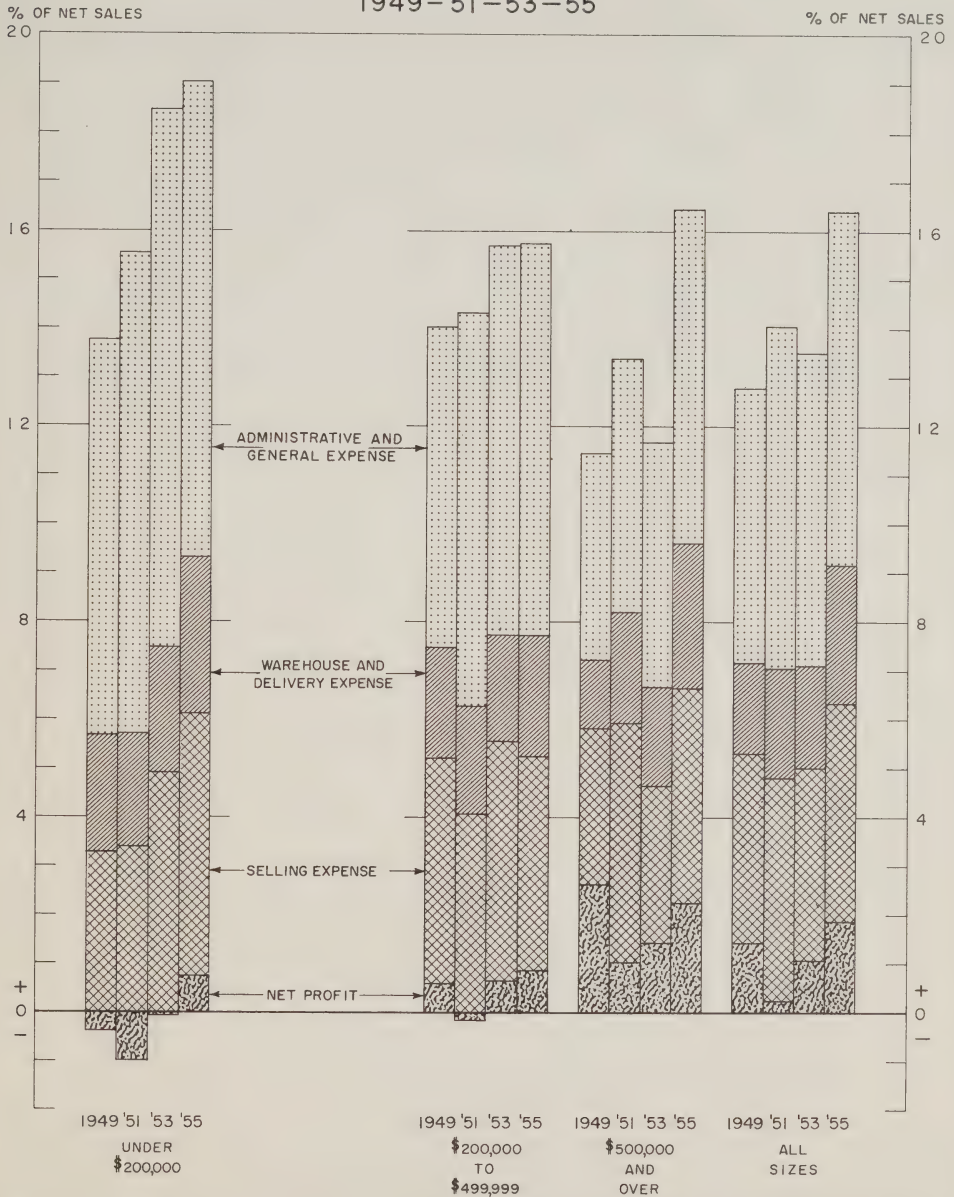
TABLE 11. Operating Results of Footwear Wholesalers 1953 and 1955 Compared

Item	1953	1955
Number of firms.....	19	19
Average net sales per firm ..... \$	557,646	524,944
	(Per cent of net sales)	
Gross profit.....	13. 36	13. 32
Operating expenses:		
Selling .....	3. 68	3. 60
Warehouse and delivery.....	2. 08	2. 42
Administrative and general .....	6. 24	6. 04
Total operating expenses .....	12. 00	12. 06
Net operating profit .....	1. 36	1. 26

# OPERATING RESULTS OF FOOTWEAR WHOLESALERS BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1949-51-53-55











Gov. Lk  
Can  
S  
CATALOGUE No.

63-418

BIENNIAL

Canada. Statistics, Bureau of



CANADA



OPERATING RESULTS OF DRY GOODS, PIECE  
GOODS AND FOOTWEAR WHOLESALERS  
1957

*Published by Authority of*

The Honourable Gordon Churchill, Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**

Industry and Merchandising Division

May, 1959  
6543-509

Price 50 cents

Vol. 3—Part I—C-1

## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

### Part I — Wholesale Statistics

- A — Wholesale Trade
- B — Operating Results of Food Wholesalers
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers
- 2 Operating Results of Drug Wholesalers
- 3 Operating Results of Hardware Wholesalers
- 4 Operating Results of Plumbing and Heating Supply Wholesalers
- 5 Operating Results of Household Appliance & Electrical Supply Wholesalers
- E — Agents and Brokers, Wholesale Trade (Memorandum)

### Part II — Retail Statistics

- F — Retail Trade
- G — Retail Chain Stores
- H — Operating Results of Food Store Chains
- I — Operating Results of Clothing Store Chains
- J — 1 Operating Results of Variety Store Chains
- 2 Operating Results of Drug Store Chains
- 3 Operating Results of Furniture Store Chains
- \*K — Operating Results of Independent Food Stores
- \*L — Operating Results of Independent Clothing Stores
- \*M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores
- \*N — Operating Results of Filling Stations and Garages
- \*O — 1 Operating Results of Independent General Stores
- 2 Operating Results of Independent Restaurants
- 3 Operating Results of Independent Fuel Dealers
- 4 Operating Results of Independent Drug Stores
- 5 Operating Results of Independent Jewellery Stores
- 6 Operating Results of Independent Tobacco Stores
- P — Retail Credit

### Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers
- R — Motion Picture Theatres, Exhibitors and Distributors
- S — Hotels
- T — Sales Financing
- U — Farm Implement and Equipment Sales
- V — New Motor Vehicle Sales and Motor Vehicle Financing
- W — Advertising Agencies (Memorandum)
- X — Motion Picture Production (Memorandum)

The reports are punched to permit of filing in a ring binder.

\* Biennial reports — not issued for 1957.

*Prices of most reports released after January 1, 1959 have been increased. Information on the new prices of particular issues is available on request from the Information Services Division of the Dominion Bureau of Statistics.*



## CONTENTS

	Page
INTRODUCTION .....	C - 5
SUMMARY BY TRADES .....	C - 7
REVIEW OF RESULTS, TABLES AND CHARTS:	
Dry Goods Wholesalers.....	C - 8
Piece Goods Wholesalers.....	C - 13
Footwear Wholesalers.....	C - 18

### OPERATING RESULTS—LIST OF REPORTS

#### WHOLESALE TRADE (1947, 1949, 1951, 1953, 1955 AND 1957)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Automotive Parts and Accessories Wholesalers
4. Drug Wholesalers
5. Hardware Wholesalers
6. Plumbing and Heating Equipment Supplies Wholesalers
7. Household Appliance and Electrical Supply Wholesalers

#### INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948, 1950, 1952, 1954 and 1956)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. General Stores
6. Restaurants
7. Fuel Dealers
8. Drug Stores
9. Jewellery Stores
10. Tobacco Stores

#### RETAIL CHAIN STORES (1947, 1949, 1951, 1953, 1955 AND 1957)

1. Chain Food Stores
2. Chain Clothing Stores
3. Chain Variety Stores
4. Chain Furniture Stores
5. Chain Drug Stores



# OPERATING RESULTS OF DRY GOODS, PIECE GOODS AND FOOTWEAR WHOLESALERS

1957

## INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

### Scope

This study is confined to wholesale merchants, i.e., those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributors are not included.

### Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared. Proprietors' salaries were included with administrative salaries. A table showing income tax was made for incorporated companies only.

### Purpose

The primary purpose of the operating results surveys is to provide average measurements of the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

However, the average—i.e., arithmetic mean—operating results of all wholesalers classified under "Wholesalers Proper" would be misleading as, by definition, "Wholesalers Proper" includes subsidiary companies performing the wholesaling function of parent companies whose marketing policies with regard to profit and expense ratios may be atypical of the trade. In addition, "Wholesalers Proper" includes those firms whose revenues are derived in part from a type of activity—e.g., manufacturing, retailing—which may be uncommon to the trade. Consequently, it is thought that average operating results of the more typical establishments within a trade would be of superior value in view of the purposes for which the series on operating results is designed. Therefore, firms with atypical policies and/or activities have been excluded from the computations of the average operating results published herein.

### Period Covered

This report deals with operations for the calendar year 1957 or fiscal years which fall closest to the calendar year and is the sixth biennial publication in a series begun in 1947. A summary table shows identical firm results for 1955 and 1957. The charts show the gross profit components for 1951, 1953, 1955 and 1957 by suitable sales-size classification for each trade.





## SUMMARY OF THE 1957 SURVEY

The following summary table presents statistics on operating results for dry goods, piece goods and footwear wholesalers. It draws the main findings of the survey together in convenient form and enables comparison of the operating results of the three groups for the year 1957. In the pages which follow, the reader will find sections of the report dealing with each of the three trade groups mentioned above.

The reader is warned against drawing erroneous conclusions from absolute dollar values (average sales, cost of goods sold, inventories, etc.) published in the table which follows immediately and in those appearing in other sections of this report. These values are the arithmetic means of items reported by both firms operating one place of business and firms operating a number of

places of business. Average absolute values are shown only to make perfectly explicit the nature of the data from which the ratios are derived. The surveys were designed primarily to obtain ratios which various profit and expense items of a panel of firms bear to net sales. In the case of dry goods and piece goods wholesalers, ratios are shown for four sales-size categories of firms and, in the case of footwear wholesalers, the ratios are classified into two sales-size categories. In less detail, ratios are given by geographical region in which the firms are domiciled and one table in each section is restricted to the operating results of incorporated companies. Finally, there is a table in each section which makes possible the comparison of the operating results of the same panel of firms for the years 1955 and 1957.

### Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers Compared, 1957

Item	Dry goods	Piece goods	Footwear
Number of firms .....	50	48	17
Average net sales per firm ..... \$	1,722,681	464,400	645,920
Stock turnover (times per year) .....	4.56	3.50	4.99
(Items expressed as per cent of net sales)			
<b>Gross profit</b> .....	<b>16.04</b>	<b>17.21</b>	<b>13.60</b>
Operating expenses:			
Selling .....	5.26	4.97	3.35
Warehouse and delivery .....	3.21	2.53	2.29
Administrative and general .....	6.43	8.04	6.50
<b>Total Operating expenses</b> .....	<b>14.90</b>	<b>15.54</b>	<b>12.14</b>
<b>Net operating profit</b> .....	<b>1.14</b>	<b>1.67</b>	<b>1.46</b>
Non-trading income .....	1.19	0.68	0.97
Non-trading expense .....	0.62	0.17	0.21
<b>Net profit before income tax deduction</b> .....	<b>1.71</b>	<b>2.18</b>	<b>2.22</b>
Credit sales .....	92.58	96.86	97.77
Sales to voluntary group retail stores .....	1.08	0.83	0.88
Sales to other retail stores .....	85.09	35.21	96.48

The table above indicates that piece goods wholesale merchants, with the lowest estimated rate of stock turnover (3.50 times per year), reported the highest average gross profit (17.21%) as well as the highest average total operating expenses (15.54%) when these items are expressed as percentages of net sales. However, lower average operating expenses (12.14%) among footwear wholesalers enabled them to realize the highest average net profit before income tax deduction

(2.22%). Over 92% of total sales of wholesalers in each of the three trades were made on a credit basis; and, except for the piece goods trade where this percentage was 35.21%, more than 85% of all goods sold went to retail stores. For the first time, sales to voluntary group retail stores were segregated and shown as a percentage of total sales for each trade. A detailed report on each of the three trades follows.

# DRY GOODS WHOLESALERS

## Description of Reporting Firms

Item	Firms with 1957 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms .....	10	19	13	8	50
Form of organization:					
Individual proprietorship .....	4	1	—	—	5
Partnership .....	—	—	1	—	1
Incorporated company .....	6	18	12	8	44
Number of firms operated as:					
Single establishment .....	10	19	12	6	47
Multiple establishment .....	—	—	1	2	3
Distribution of sales:					
To voluntary group retail stores .....	% 0.66	—	1.01	1.34	1.08
To other retail stores .....	% 85.21	85.88	92.25	81.20	85.09
To other wholesalers .....	% 1.82	3.36	1.58	11.70	7.58
To large users <sup>1</sup> .....	% 12.31	9.21	5.16	5.42	5.87
To others .....	% —	1.55	—	0.34	0.38

<sup>1</sup> Industries, hospitals, institutions, etc.

Forty-six of the 60 firms that reported for the 1955 survey of dry goods wholesalers reported for the 1957 survey and reports were received from 4 other firms. This means that the data used for compiling Tables 1 and 2 of this report were supplied by 50 firms in the trade. Table 3 is compiled from reports of 44 incorporated companies and Table 4

from reports of the 46 firms that reported for both the 1955 and 1957 surveys. The purpose of Table 4 is to enable comparison of the same panel of firms for the two periods. More information about the firms in the panel, including percentages of sales distribution, is given in the above table.

## REVIEW OF 1957 OPERATING RESULTS

### Profit and Expense Ratios

Table 1 shows that the 1957 panel of dry goods wholesalers realized an average gross profit of 16.04% of net sales, incurred average total operating expenses of 14.90% and, after allowing for non-trading items, had average net profit before income tax deduction of 1.71%. As well as being shown for the whole panel of firms in the survey, these data are shown for four groups of firms classified according to the size of their annual sales. Ratios for various expense components for each of the four sales-size groups are also shown in Table 1.

While an attempt is made to restrict material used in this compilation to data reported by typical firms in the trade, the composition of the panel of firms changes from survey to survey. This is due to the difficulty of getting firms in sufficient numbers to report for a series of consecutive biennial

surveys. Hence, published results of the biennial surveys may not be strictly comparable. Therefore, a special compilation is furnished in the last section of this report for purposes of comparing results of the 1957 survey with those of 1955.

### Other Operating Features

Table 1 contains information with respect to inventories, credit sales, accounts receivable and stock turnover. The latter is computed by dividing the cost of goods sold by the average of the beginning and end-of-year inventories. For the panel as a whole, this worked out to 4.56 times per year. Average inventories and average credit sales are shown as percentages of average net sales. Average accounts outstanding are shown as a percentage of average credit sales. Finally, information on sales per 1,000 square feet of floor space is available.

TABLE 1. Operating Results of Dry Goods Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
Number of firms reporting.....	10	19	13	8	50
Average net sales per firm.....\$	117,134	525,715	1,975,340	6,161,836	1,722,681
Average cost of goods sold.....\$	95,026	438,688	1,640,649	5,212,958	1,446,348
Stock turnover (times per year).....	2.87	4.76	4.09	4.87	4.56
Average beginning inventory.....\$	31,865	91,005	398,904	1,025,846	308,805
Per cent of average net sales.....	27.20	17.31	20.19	16.65	17.93
Average ending inventory.....\$	34,456	93,311	403,999	1,115,566	325,879
Per cent of average net sales.....	29.42	17.75	20.45	18.10	18.92
<b>Profit and loss data</b> (Per cent of net sales)					
Gross profit.....	18.87	16.55	16.94	15.40	16.04
Operating expenses:					
Selling expense:					
Salaries.....	3.75	3.63	4.09	3.74	3.84
Travelling.....	1.20	0.74	0.80	0.63	0.70
Advertising.....	0.10	0.22	0.34	0.31	0.31
Other selling expense.....	0.62	0.34	0.55	0.36	0.41
<b>Total selling expense.....</b>	<b>5.67</b>	<b>4.93</b>	<b>5.78</b>	<b>5.04</b>	<b>5.26</b>
Warehouse and delivery expense:					
Salaries and wages.....	1.91	2.18	2.29	2.51	2.39
Maintenance of delivery equipment.....	0.29	0.15	0.18	0.13	0.15
Outward freight.....	0.33	0.23	0.18	0.47	0.35
Warehouse supplies.....	0.17	0.15	0.17	0.20	0.19
Other warehouse and delivery expense.....	0.41	0.04	0.07	0.16	0.13
<b>Total warehouse and delivery expense.....</b>	<b>3.11</b>	<b>2.75</b>	<b>2.89</b>	<b>3.47</b>	<b>3.21</b>
Administrative and general expense:					
Salaries.....	4.92	3.28	3.48	2.65	3.00
Employees' benefits.....	0.16	0.21	0.26	0.25	0.25
Occupancy.....	2.00	1.30	0.99	0.88	0.98
Taxes <sup>1</sup> .....	0.14	0.11	0.12	0.15	0.14
Insurance.....	0.31	0.24	0.10	0.09	0.11
Office supplies.....	0.16	0.25	0.18	0.21	0.20
Communication.....	0.29	0.29	0.28	0.23	0.25
Bad debts—amount written off.....	0.82	0.67	0.18	0.18	0.25
All other expense.....	0.91	1.27	1.10	1.34	1.25
<b>Total administrative and general expense.....</b>	<b>9.77</b>	<b>7.62</b>	<b>6.69</b>	<b>5.98</b>	<b>6.43</b>
<b>Total operating expenses.....</b>	<b>18.55</b>	<b>15.30</b>	<b>15.36</b>	<b>14.49</b>	<b>14.90</b>
Net operating profit.....	0.32	1.25	1.58	0.91	1.14
Non-trading income.....	0.96	1.54	0.70	1.39	1.19
Non-trading expense.....	0.41	0.30	0.59	0.71	0.62
<b>Net profit before income tax deduction.....</b>	<b>0.87</b>	<b>2.49</b>	<b>1.69</b>	<b>1.59</b>	<b>1.71</b>
<b>Miscellaneous data</b>					
Credit sales:					
Average per firm.....\$	112,316	497,856	1,713,626	5,860,456	1,594,864
Per cent of average net sales.....	95.89	94.70	86.76	95.11	92.58
Accounts outstanding:					
Average per firm.....\$	21,257	133,219	365,114	959,720	303,359
Per cent of average credit sales.....	18.93	26.76	21.31	16.38	19.02
Sales per 1,000 sq. ft. of floor space.....	50,650	52,405	45,704	63,606	55,549

<sup>1</sup> Excludes amount attributed to real estate which is in occupancy expense.



## Regional Results

Table 2 shows the principal profit and expense figures by regions for dry goods wholesalers in the 1957 panel. Average gross profit ranged from 17.12% in British Columbia to 14.49% in Ontario. Average total operating expenses varied from 14.51% in

Ontario to 15.17% in the Maritime Provinces and Quebec. Average net operating profit was lowest in the Maritime Provinces and Quebec (1.40%) and highest in British Columbia (2.26%). Ontario suffered a net operating loss of 0.02%.

TABLE 2. Operating Results of Dry Goods Wholesalers, by Regions, 1957

Item	Maritimes and Quebec	Ontario	Prairie Provinces	British Columbia	Canada
Number of firms .....	18	17	11	4	50
Average net sales per firm ..... \$	2,217,988	1,471,357	1,411,467	1,417,763	1,722,681
	Per cent of net sales				
Gross profit .....	16.57	14.49	16.79	17.12	16.04
Operating expenses:					
Selling .....	5.96	4.40	5.14	4.38	5.26
Warehouse and delivery .....	3.24	3.12	3.21	3.37	3.21
Administrative and general .....	5.97	6.99	6.50	7.11	6.43
Total operating expenses .....	15.17	14.51	14.85	14.86	14.90
Net operating profit .....	1.40	0.02 <sup>1</sup>	1.94	2.26	1.14

<sup>1</sup> Operating loss.

## Incorporated Companies, 1957

Table 3 shows the operating results of 44 incorporated companies of dry goods wholesalers. Unlike Table 1, deduction for income tax is shown as a percentage of net sales. Firms in the sales-

size group of "under \$250,000" suffered an average net operating loss of one-fifth of one per cent; however, non-trading income succeeded in raising the group's final net profit to 0.46% of net sales.

TABLE 3. Operating Results of Incorporated Dry Goods Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of				Total all sizes
	Under \$250,000	\$250,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 and over	
	per cent of net sales				
Gross profit .....	19.35	16.61	16.79	15.40	15.97
Operating expenses .....	19.55	15.38	15.03	14.49	14.79
Net operating profit .....	0.20 <sup>1</sup>	1.23	1.76	0.91	1.18
Non-trading income .....	1.43	1.58	0.69	1.39	1.21
Non-trading expense .....	0.29	0.30	0.64	0.71	0.64
Net profit before income tax deduction .....	0.94	2.51	1.81	1.59	1.75
Income tax .....	0.48	0.47	0.64	0.66	0.62
Final net profit .....	0.46	2.04	1.17	0.93	1.13

<sup>1</sup> Operating loss.



**Comparison of 1955 and 1957 Results**

As has been stated earlier, the composition of the panel of firms that report for the biennial survey of operating results changes from survey to survey. Although reports are used only if the operations of the firms closely conform to those of typical firms in the trade, it should be noted that the changing composition of the panel places some limitation on the comparability of the data contained in the present survey with those found in previous surveys. For this reason, a special compilation of the operating results of the 46 firms that reported for both 1955 and 1957 is shown in Table 4. This table sets out the principal profit and expense figures for the same panel of firms for the two periods.

Moreover, when interpreting figures in the following table, changes in the average net sales of firms from period to period should be noted. Expenses of a fixed nature would tend to reduce certain expense ratios as the average net sales of firms increased. On the other hand, these expense items would tend to increase the ratios as average net sales decreased.

Average net sales of these 46 firms increased from \$1,698,305 in 1955 to \$1,838,255 in 1957. Lower average gross profit (15.92% versus 16.08% in 1955) and higher average total operating expenses (14.82% versus 14.65%) combined to reduce average net operating profit to 1.10% from 1.43% in 1955.

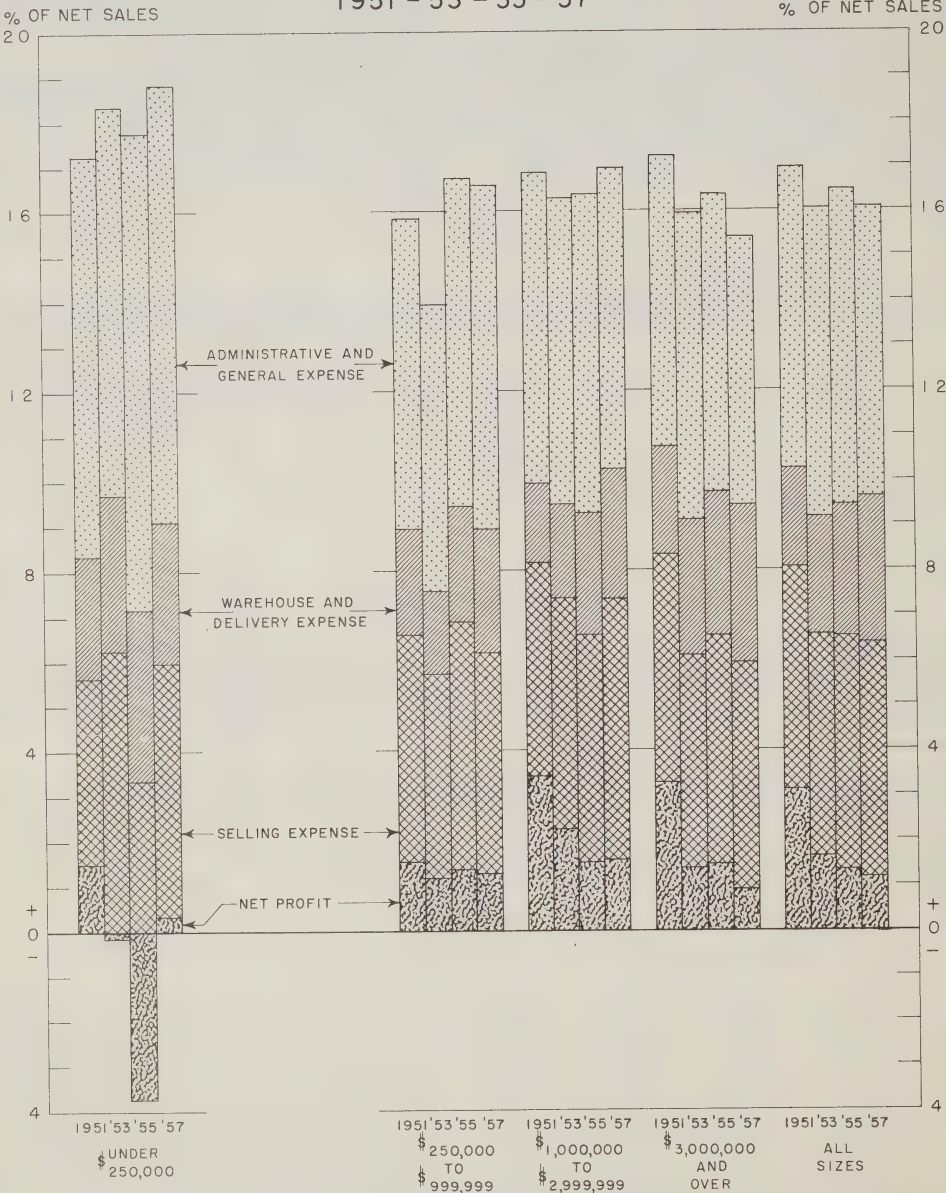
**TABLE 4. Operating Results of Dry Goods Wholesalers, 1955 and 1957 Compared**

Item	1955	1957
Number of firms .....	46	46
Average net sales per firm ..... \$	1,698,305	1,838,255
	Per cent of net sales	
Gross profit .....	16.08	15.92
Operating expenses:		
Selling .....	5.04	5.22
Warehouse and delivery .....	3.00	3.19
Administrative and general .....	6.61	6.41
Total operating expenses .....	14.65	14.82
Net operating profit .....	1.43	1.10

OPERATING RESULTS OF DRY GOODS WHOLESALERS  
BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1951 - 53 - 55 - 57



# PIECE GOODS WHOLESALERS

## Description of Reporting Firms

Item	Firms with 1957 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms .....	10	20	15	3	48
Form of organization:					
Individual proprietorship .....	3	—	1	—	4
Partnership .....	2	2	3	—	7
Incorporated company .....	5	18	11	3	37
Distribution of sales:					
To voluntary group retail stores ..... %	—	2.71	—	—	0.83
To other retail stores ..... %	61.00	41.76	32.63	23.20	35.21
To wholesalers ..... %	5.80	16.41	9.51	19.69	13.36
To large users <sup>1</sup> ..... %	28.35	38.55	54.33	57.11	48.58
To others ..... %	4.85	0.57	3.53	—	2.02

<sup>1</sup> Industries, hospitals, institutions, etc.

Forty-two of the 61 firms that reported for the 1955 survey of piece goods wholesalers reported for the 1957 survey and reports were received from 6 other firms. In all then, a panel of 48 firms provided the data used in compiling Tables 5 and 6 of this report. Table 6 shows a comparison of the operating results of firms selling primarily to retailers, and of firms selling primarily to wholesalers and large users. Table 7 is compiled from

reports of 37 incorporated companies and Table 8 from reports of the 42 firms that reported for both the 1955 and 1957 surveys. More information about the firms in the panel, including percentages of sales distribution to various classes of buyers, is given in the above table. For the first time, sales to voluntary group retail stores are shown as a percentage of total sales.

## REVIEW OF 1957 OPERATING RESULTS

### Profit and Expense Ratios

Table 5 shows that piece goods wholesalers in the 1957 panel realized average gross profit of 17.21%, incurred average total operating expenses of 15.54% and, after allowing for non-trading items, had average net profit before income tax of 2.18% of net sales. As well as being shown for the whole panel of firms, these data are computed for four groups of firms classified according to the size of their annual sales. Ratios for the various components of operating expenses are also given.

While an attempt is made to restrict material used in this compilation to data reported by typical firms in the trade, the composition of the panel of firms changes from survey to survey. This is due to the difficulty of getting firms in sufficient numbers to report for a series of consecutive biennial surveys. Because of this change in the composition of

the panel, published results of the biennial surveys may not be strictly comparable. Therefore, a special compilation is furnished in the last section of this report for purposes of comparing results of the 1957 survey with those of 1955.

### Other Operating Features

Table 5 contains information with respect to inventories, credit sales, accounts receivable and stock turnover. This latter item is computed by dividing the cost of goods sold by the average of the beginning and end-of-year inventories. For the panel as a whole, this worked out to 3.50 times per year. Average inventories and average credit sales are shown as percentages of average net sales. Average accounts outstanding are shown as a percentage of average credit sales. Finally, information is available on sales per 1,000 square feet of floor space.

TABLE 5. Operating Results of Piece Goods Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms reporting .....	10	20	15	3	48
Average net sales per firm ..... \$	126,239	339,854	664,394	1,421,936	464,400
Average cost of goods sold .....	102,184	281,631	556,886	1,148,680	384,454
Stock turnover (times per year) .....	3.53	3.43	3.27	4.32	3.50
Average beginning inventory ..... \$	28,421	86,199	168,333	272,518	111,474
Per cent of average net sales .....	22.51	25.36	25.34	19.17	24.00
Average ending inventory ..... \$	29,401	77,904	171,937	258,837	108,493
Per cent of average net sales .....	23.29	22.92	25.88	18.20	23.36
<b>Profit and Loss Data</b> (Per cent of net sales)					
<b>Gross profit .....</b>	<b>19.05</b>	<b>17.13</b>	<b>16.18</b>	<b>19.22</b>	<b>17.21</b>
Operating expenses:					
Selling expense:					
Salaries .....	2.97	3.10	3.10	5.33	3.52
Travelling .....	0.78	0.95	0.68	1.24	0.88
Advertising .....	0.36	0.20	0.15	0.14	0.17
Other selling expense .....	0.09	0.48	0.37	0.44	0.40
<b>Total selling expense .....</b>	<b>4.20</b>	<b>4.73</b>	<b>4.30</b>	<b>7.15</b>	<b>4.97</b>
Warehouse and delivery expense:					
Salaries and wages .....	2.11	1.25	1.95	1.40	1.64
Maintenance of delivery equipment .....	0.32	0.20	0.42	0.15	0.29
Outward freight .....	1.73	0.21	0.31	0.22	0.34
Warehouse supplies .....	0.14	0.20	0.16	0.09	0.16
Other warehouse and delivery expense .....	0.32	0.02	0.12	0.09	0.10
<b>Total warehouse and delivery expense .....</b>	<b>4.62</b>	<b>1.88</b>	<b>2.96</b>	<b>1.95</b>	<b>2.53</b>
Administrative and general expense:					
Salaries .....	4.76	4.63	3.22	3.79	3.85
Employees' benefits .....	0.05	0.15	0.06	0.16	0.10
Occupancy .....	1.32	1.21	1.41	0.79	1.22
Taxes <sup>1</sup> .....	0.29	0.21	0.16	0.13	0.18
Insurance <sup>1</sup> .....	0.27	0.23	0.19	0.06	0.18
Office supplies .....	0.39	0.31	0.23	0.22	0.26
Communication .....	0.36	0.28	0.30	0.20	0.28
Bad debts—amount written off .....	0.92	0.43	0.68	0.12	0.51
All other expense .....	1.80	1.49	1.44	1.34	1.46
<b>Total administrative and general expense .....</b>	<b>10.16</b>	<b>8.94</b>	<b>7.69</b>	<b>6.81</b>	<b>8.04</b>
<b>Total operating expenses .....</b>	<b>18.98</b>	<b>15.55</b>	<b>14.95</b>	<b>15.91</b>	<b>15.54</b>
Net operating profit .....	0.07	1.58	1.23	3.31	1.67
Non-trading income .....	1.12	0.71	0.85	0.11	0.68
Non-trading expense .....	0.01	0.22	0.23	0.03	0.17
<b>Net profit before income tax deduction .....</b>	<b>1.18</b>	<b>2.07</b>	<b>1.85</b>	<b>3.39</b>	<b>2.18</b>
<b>Miscellaneous Data</b>					
Credit sales:					
Average per firm ..... \$	117,655	318,826	651,954	1,419,888	449,834
Per cent of average net sales .....	93.20	93.81	98.13	99.86	96.86
Accounts outstanding:					
Average per firm ..... \$	27,058	52,405	120,859	211,362	73,451
Per cent of average credit sales .....	23.00	16.44	18.54	14.89	17.44
Sales per 1,000 sq. ft. of floor space ..... \$	60,401	94,379	132,349	99,785	105,661

<sup>1</sup> Excludes amount attributed to real estate which is in occupancy expense.



**Comparison of Operating Results of Firms Selling to Retailers and to Combined Wholesalers and Large Users**

A comparison of operating results of firms selling primarily to retailers (at least 50% of sales) and firms selling chiefly to wholesalers and large users combined (over 50% of sales) is presented in Table 6 below. Average gross profit of 22 firms that sold at least 50% of their merchandise to retailers stood at 18.13% compared with 16.77% for 26 firms that sold over 50% of their merchandise to

wholesalers and large users combined. Except for firms with annual sales of less than \$200,000, firms selling to retailers had higher average total operating expenses (16.97%) than those selling to wholesalers and large users (14.85%). For the whole panel, the result was a lower average net operating profit (1.16% versus 1.92%) for firms selling to retailers.

**TABLE 6. Operating Results of Piece Goods Wholesalers, 1957**  
**Firms Selling to Retailers and to Wholesalers and Large Users, Compared**

Item	Firms with 1957 sales of							Total all sizes	
	Under \$200,000		\$200,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 and over		
	50% and over to retailers	Over 50% to wholesalers and large users <sup>1</sup>	50% and over to retailers	Over 50% to wholesalers and large users <sup>1</sup>	50% and over to retailers	Over 50% to wholesalers and large users <sup>1</sup>	Over 50% to wholesalers and large users <sup>1</sup>	50% and over to retailers	Over 50% to wholesalers and large users <sup>1</sup>
	per cent of net sales								
Gross profit .....	19.49	18.23	17.19	17.08	18.70	14.94	19.22	18.13	16.77
Operating expenses:									
Selling .....	3.48	5.56	5.10	4.41	4.30	4.30	7.15	4.55	5.17
Warehouse and delivery ..	5.50	2.95	2.15	1.64	3.90	2.49	1.95	3.32	2.15
Administrative and general .....	9.34	11.71	9.25	8.67	8.89	7.11	6.81	9.10	7.53
Total operating expenses ..	18.32	20.22	16.50	14.72	17.09	13.90	15.91	16.97	14.85
Net operating profit .....	1.17	1.99 <sup>2</sup>	0.69	2.36	1.61	1.04	3.31	1.16	1.92

<sup>1</sup> Large users: industries, hospitals, institutions, etc.

<sup>2</sup> Operating loss.

**Incorporated Companies, 1957**

Table 7 shows the operating results of 37 incorporated companies in the piece goods wholesale

trade. Unlike Table 5, deduction for income tax purposes is shown as a percentage of net sales.

**TABLE 7. Operating Results of Incorporated Piece Goods Wholesalers, 1957, by Size of Firm**

Item	Firms with 1957 sales of				Total all sizes
	Under \$200,000	\$200,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
	per cent of net sales				
Gross profit .....	16. 21	16. 97	16. 59	19. 22	17. 31
Operating expenses .....	16. 36	15. 30	15. 31	15. 91	15. 48
Net operating profit .....	0. 15 <sup>1</sup>	1. 67	1. 28	3. 31	1. 83
Non-trading income .....	0. 81	0. 74	0. 92	0. 11	0. 67
Non-trading expense .....	—	0. 20	0. 25	0. 03	0. 18
Net profit before income tax deduction .....	0. 66	2. 21	1. 95	3. 39	2. 32
Income tax .....	0. 20	0. 64	0. 31	1. 23	0. 63
Final net profit .....	0. 46	1. 57	1. 64	2. 16	1. 69

<sup>1</sup> Operating loss.

**Comparison of 1955 and 1957 Operating Results**

As stated earlier in this report, the composition of the panel of firms that report for the biennial survey of operating results changes from survey to survey. It should be noted that, although reports are used only if the operations of the firms closely conform to those of typical firms in the trade, the changing composition of the panel places a severe limitation on the comparability of the data contained in the present survey with those contained in previous surveys. Hence, a special compilation of the operating results of the 42 firms that reported for both 1955 and 1957 is shown in Table 8. It sets out the principal profit and expense figures for the same panel of firms for the two periods.

Moreover, when interpreting figures in the following table, changes in the average net sales of

firms from period to period should be noted. Expenses of a fixed nature would tend to reduce certain expense ratios as the average net sales of firms increased. On the other hand, these expense items would tend to increase the ratios as average net sales decreased.

Average net sales of the 42 firms increased from \$421,780 in 1955 to \$477,344 in 1957; and, with a rise in average gross profit (17.08% versus 16.81%), average total operating expenses (15.42%) were sufficiently low to produce a substantially improved average net operating profit of 1.66% compared with 0.86% in 1955.

**TABLE 8. Operating Results of Piece Goods Wholesalers 1955 and 1957 Compared**

Item	1955	1957
Number of firms .....	42	42
Average net sales per firm ..... \$	421,780	477,344
	percent of net sales	
Gross profit .....	16.81	17.08
Operating expenses:		
Selling .....	4.70	5.19
Warehouse and delivery .....	2.44	2.42
Administrative and general .....	8.81	7.81
Total operating expenses .....	15.95	15.42
Net operating profit .....	0.86	1.66

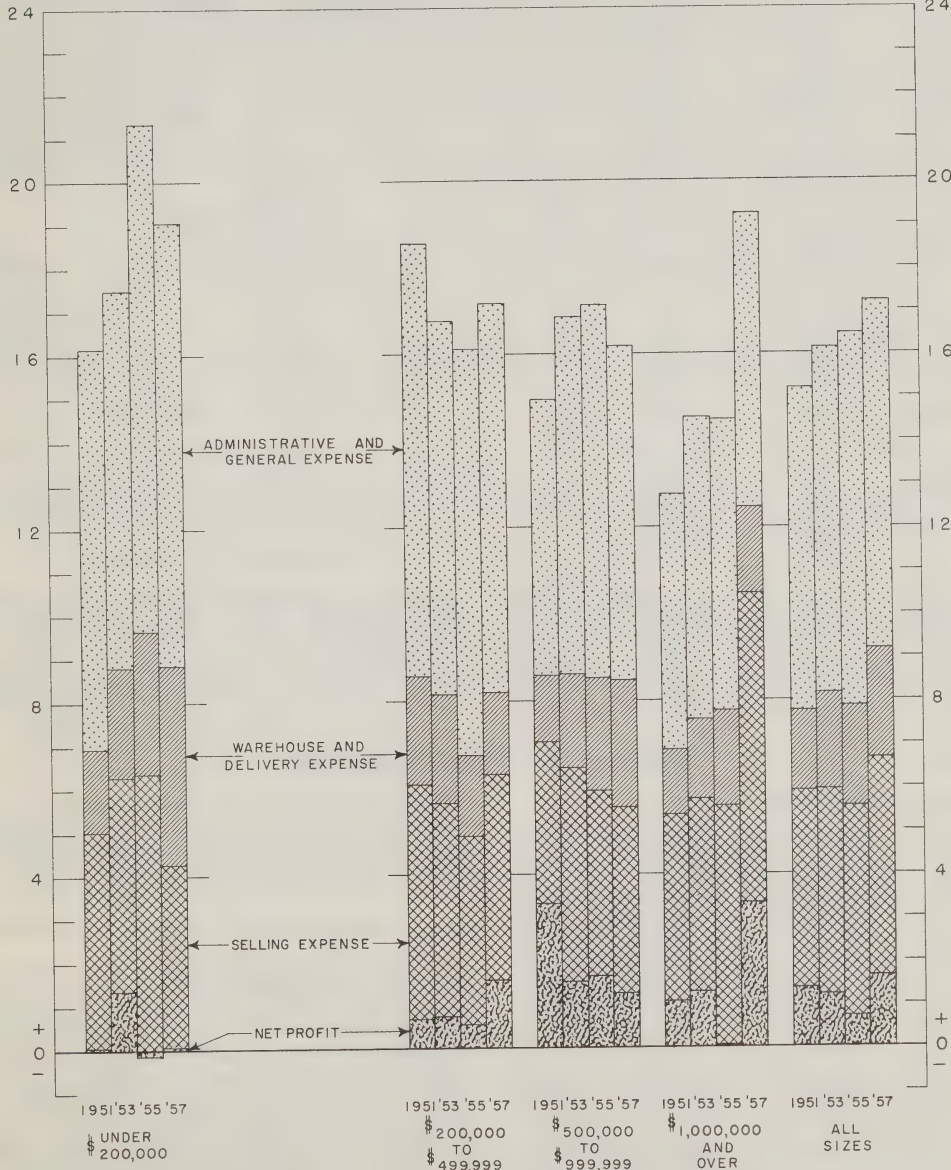
# OPERATING RESULTS OF PIECE GOODS WHOLESALERS BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1951-53 - 55-57

% OF NET SALES

% OF NET SALES



# FOOTWEAR WHOLESALERS

## Description of Reporting Firms

Item	Firms with 1957 sales of		Total all sizes
	Under \$500,000	\$500,000 and over	
Number of firms .....	12	5	17
Form of organization:			
Individual proprietorship .....	2	—	2
Partnership .....	—	—	—
Incorporated company .....	10	5	15
Distribution of sales:			
To voluntary group retail stores ..... %	0.13	1.21	0.88
To other retail stores ..... %	96.34	96.54	96.48
To wholesalers ..... %	0.44	0.14	0.23
To large users <sup>1</sup> ..... %	0.65	2.11	1.65
To others ..... %	2.44	—	0.76

<sup>1</sup> Industries, hospitals, institutions etc.

Fifteen of the 25 firms that reported for the 1955 survey of footwear wholesalers reported for the 1957 survey and reports were received from 2 other firms. This means that a total of 17 firms provided the data used in compiling Table 9 of this report. Table 10 is compiled from reports of 15 in-

corporated companies and Table 11 from 15 firms that reported for both the 1955 and 1957 surveys. More information about the firms in the panel, including percentages of sales distribution to various classes of customers, is given in the above table.

## REVIEW OF 1957 OPERATING RESULTS

### Profit and Expense Ratios

Table 9 shows that the 1957 panel of footwear wholesalers realized an average gross profit of 13.60% of net sales, incurred average total operating expenses of 12.14% and, after allowing for non-trading items, had average net profit before income tax deduction of 2.22%. Similar data are shown for two groups of firms classified according to the size of their annual sales. Ratios for various expense components are also shown for each of the two groups.

While an attempt is made to restrict material used in this compilation to data reported by typical firms in the trade, the composition of the panel of firms changes from survey to survey. This is due to the difficulty of getting firms in sufficient numbers to report for a series of consecutive biennial surveys. Hence, published results of the biennial

surveys may not be strictly comparable. Therefore, a special compilation is furnished in the last section of this report for purposes of comparing results of the 1957 survey with those of 1955.

### Other Operating Features

Table 9 contains information with respect to inventories, credit sales, accounts receivable and stock turnover. The latter is computed by dividing the cost of goods sold by the average of the beginning and end-of-year inventories and, for the panel as a whole, this worked out to 4.99 times per year. Average inventories and average credit sales are shown as percentages of average net sales. Average accounts outstanding are shown as a percentage of average credit sales. Finally, information is available on sales per 1,000 square feet of floor space.



TABLE 9. Operating Results of Footwear Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of		Total all sizes
	Under \$500,000	\$500,000 and over	
Number of firms reporting .....	12	5	17
Average net sales per firm ..... \$	283,925	1,514,707	645,920
Average cost of goods sold ..... \$	238,098	1,325,945	558,053
Stock turnover (times per year) .....	4.07	5.53	4.99
Average beginning inventory ..... \$	62,010	227,395	110,653
Per cent of average net sales .....	21.84	15.01	17.13
Average ending inventory ..... \$	54,854	252,358	112,943
Per cent of average net sales .....	19.32	16.66	17.49
<b>Profit and Loss Data</b> (Per cent of net sales)			
<b>Gross profit</b> .....	<b>16.14</b>	<b>12.46</b>	<b>13.60</b>
Operating expenses:			
Selling expense:			
Salaries .....	3.05	2.54	2.70
Travelling .....	0.91	0.28	0.48
Advertising .....	0.18	0.02	0.07
Other selling expense .....	0.05	0.13	0.10
<b>Total selling expense</b> .....	<b>4.19</b>	<b>2.97</b>	<b>3.35</b>
Warehouse and delivery expense:			
Salaries and wages .....	1.64	1.37	1.46
Maintenance of delivery equipment .....	0.33	0.03	0.12
Outward freight .....	0.19	0.74	0.56
Warehouse supplies .....	0.05	0.09	0.08
Other warehouse and delivery expense .....	0.07	0.07	0.07
<b>Total warehouse and delivery expense</b> .....	<b>2.28</b>	<b>2.30</b>	<b>2.29</b>
Administrative and general expense:			
Salaries .....	4.40	2.59	3.15
Employees' benefits .....	0.18	0.10	0.13
Occupancy .....	1.19	0.61	0.79
Taxes <sup>1</sup> .....	0.32	0.03	0.12
Insurance <sup>1</sup> .....	0.32	0.17	0.22
Office supplies .....	0.26	0.28	0.27
Communication .....	0.28	0.07	0.14
Bad debts—amount written off .....	0.61	0.30	0.39
All other expense .....	1.23	1.31	1.29
<b>Total administrative and general expense</b> .....	<b>8.79</b>	<b>5.46</b>	<b>6.50</b>
<b>Total operating expenses</b> .....	<b>15.26</b>	<b>10.73</b>	<b>12.14</b>
Net operating profit .....	0.88	1.73	1.46
Non-trading income .....	0.25	1.29	0.97
Non-trading expense .....	0.46	0.10	0.21
<b>Net profit before income tax deduction</b> .....	<b>0.67</b>	<b>2.92</b>	<b>2.22</b>
<b>Miscellaneous Data</b>			
Credit sales:			
Average per firm ..... \$	271,566	1,495,290	631,485
Per cent of average net sales .....	95.65	98.72	97.77
Accounts outstanding:			
Average per firm ..... \$	63,781	260,870	121,748
Per cent of average credit sales .....	23.49	17.45	19.28
Sales per 1,000 sq. ft. of floor space ..... \$	64,897	91,468	84,272

<sup>1</sup>Excludes amount attributed to real estate which is in occupancy expense.

## Incorporated Companies, 1957

Operating results of 15 incorporated wholesale footwear companies are shown in Table 10. As an

additional item in this table, income tax is computed as a percentage of net sales.

TABLE 10. Operating Results of Incorporated Footwear Wholesalers, 1957, by Size of Firm

Item	Firms with 1957 sales of		Total all sizes
	Under \$500,000	\$500,000 and over	
	per cent of net sales		
Gross profit .....	16.77	12.46	13.55
Operating expenses .....	16.45	10.73	12.18
Net operating profit .....	0.32	1.73	1.37
Non-trading income .....	0.30	1.29	1.04
Non-trading expense .....	0.40	0.10	0.18
Net profit before income tax deduction .....	0.22	2.92	2.23
Income tax .....	0.20	1.14	0.90
Final net profit .....	0.02	1.78	1.33

## Comparison of 1955 and 1957 Operating Results

As stated earlier, the composition of the panel of firms that report for the biennial survey changes from survey to survey. Although reports are used only if the operations of the firms closely conform to those of typical firms in the trade, it should be noted that the changing composition of the panel places a severe limitation on the comparability of the data contained in the present survey with those found in previous surveys. Hence, a special compilation of the operating results of the 15 firms that reported for both the 1955 and 1957 surveys is presented in Table 11 for purposes of comparison. It sets out the principal profit and expense figures for the same panel of firms for the two periods.

Moreover, when interpreting figures in the following table, changes in the average net sales of firms from period to period should be observed. Expenses of a fixed nature would tend to reduce certain expense ratios as the average net sales of firms increased. On the other hand, these expense items would tend to increase the ratios as average net sales decreased.

Average net sales of these 15 firms increased from \$607,178 in 1955 to \$675,297 in 1957. With a slight rise in average gross profit (13.40%) increases in average total operating expenses were sufficiently small to produce an improved net operating profit position of 1.52% of net sales.

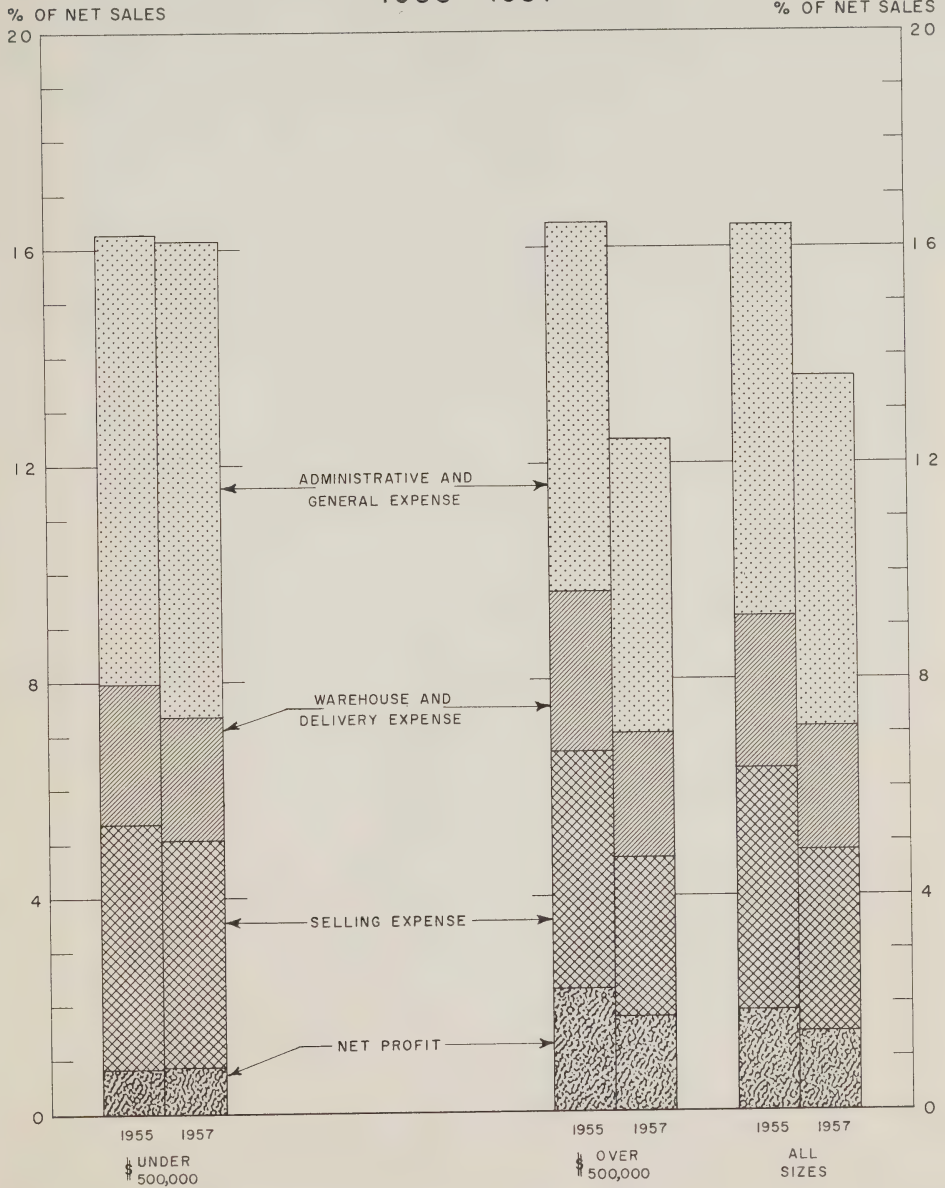
TABLE 11. Operating Results of Footwear Wholesalers 1955 and 1957 Compared

Item	1955	1957
Number of firms .....	15	15
Average net sales per firm ..... \$	607,178	675,297
	Per cent of net sales	
Gross profit .....	13.08	13.40
Operating expenses:		
Selling .....	3.55	3.37
Warehouse and delivery .....	2.30	2.30
Administrative and general .....	5.84	6.21
Total operating expenses .....	11.69	11.88
Net operating profit .....	1.39	1.52

# OPERATING RESULTS OF FOOTWEAR WHOLESALERS BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1955 - 1957











NOV 16 1982



